883A.00/11-262

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 3/31

ACTION		
NGA		
RM/R 1	REP 1	AF
ARA	EUR	FE
NEA	CU 3	INR 5
E 4	P 1	IO 2
L	FBO	AID 12
RM/R-6 1		
AGR 10	COM 10	FRB 3
INT	LAB	TAR 2
TR 2	XMB 4	AIR 4
ARMY 5	CIA 10	NAVY 5
OSD 12	USIA 8	NSA 3
ICA 1	HEW 2	Other 1

DEPARTMENT OF STATE

AIRGRAM

42

785a.00/11-262
XR883a.00
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A-414 NO. | OFFICIAL USE ONLY | AIR POUCH HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 NOV 5 AM 11 24

ANALYSIS & DISTRIBUTION

FROM : AmEmbassy BEIRUT DATE: November 2, 1962

SUBJECT : Karame Government Statement of Accomplishments

REF : Embtel 429 of October 19

SUMMARY

On October 18 the Government made a statement of its accomplishments during the past eleven months. Read to the Parliament by Prime Minister KARAME, the statement is rather impressive by local standards. A summary of the statement is attached.

In the parliamentary session of October 18, 1962 Prime Minister Karame read a 17-page statement which constituted a report on the progress made in implementing the schedule of projects set forth in Karame's statement of November 16, 1961 (Embtel 528, November 16, 1961). Accompanying the statement (which was distributed to the deputies and the press) were detailed annexes by the Ministries of Public Works, Interior and PTT, listing the projects promised last November and describing progress made in implementing them.

A summary translation of Karame's statement is attached. Although it is vague in some places, and "progress" in many instances seems to consist of having drafted a law or drawn up a re-organization on paper, the statement is rather impressive by local standards. It will be recalled that the November 16, 1961 statement was considered an important innovation because, for the first time, a Lebanese Government tied itself to a definite calendar of accomplishments, giving dates for the commencement or completion of each project it was promising. Now, eleven months later, the Government has given a relatively straightforward account of how well it has kept those promises.

POL
Amb
O'Neal
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FORM DS-323 4-62 | OFFICIAL USE ONLY | FOR DEPT. USE ONLY ☑ In ☐ Out

Drafted by: POL:RSParker:sa | Contents and Classification Approved by: The Ambassador

Clearances: UN

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Authority NND 949569
By PT NARA Date 7/31/14

In terms of concrete accomplishments, the most impressive document is the Ministry of Public Works annex (not translated) which lists a great variety of projects in different stages of planning and implementation. A concluding statistical breakdown states that the Ministry is planning or executing a total of 3,250 projects as follows:

roads	- 1481
water supply	- 853
buildings	- 130
electricity	- 62
reconstruction (in 1956 earthquake area)	- 25
large scale road, electricity and water projects (not otherwise identified)	- 650
projects financed by autonomous funds	- 50

The total amount spent on these projects during the first nine months of 1962 is given as LL 118,615,000, or about $40 million, plus LL 25,000,000 spent on the Litani project.

Armin H. Meyer

Attachment: 1 att: wpp

Summary translation of Karame's Statement to Parliament.

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 3/24

NEA:NE/E:SCBlackiston:cfh:11-9-62

CONFIDENTIAL

883a.00/11-762
XR 398.14
XR 398.13

(38)

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: November 7, 1962

SUBJECT: Lebanese Need for Trained Economists

PARTICIPANTS: Mr. Edmond Awad, Economic Counselor, Embassy of Lebanon
NE/E - Slator C. Blackiston, Jr.

(1)

NOV 21 1962

COPIES TO: NEA - 2
NE - 2
INR - 8

AmEmbassy BEIRUT (1 cc)

RM/R-E (16)

1—1403

Mr. Awad said that President Chehab was definitely determined to move forward on social reform and economic development in Lebanon. He was, however, surrounded by people of limited ability and those with a French orientation. Awad said that he was not sure of the value of the economic advice being given the Lebanese Government by the French IRFED mission headed by Father Lebret. With respect to the Chester Bowles memorandum on U. S. assistance to underdeveloped countries, he said he agreed completely with Mr. Bowles' characterization of Lebanon as a country in which there was substantial maldistribution and misuse of available wealth.

The principal problem facing the Lebanese Government, said Mr. Awad, is the almost complete lack of trained personnel, particularly in the economic field. In the past each new minister had sought a foreign expert to prepare a report on some aspect of Lebanon's economy. The reports gathered dust as they were not understood by Lebanese civil servants. He had sought AID financing for training of Lebanese government officials in specific economic areas but was informed by Mr. Hamilton that this was not possible. Later, he had been able to work out with the IBRD an arrangement whereby seven Lebanese would be brought to Washington for specialized economic and financial training in courses which run from three to six months each. Lebanese Foreign Minister Takla was so enthusiastic about this development that he personally took Awad's report on these arrangements back to Beirut.

Transmitted by RM/R

CONFIDENTIAL

0004

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By PT NARA Date 12-30-94

Mr. Awad then turned to Lebanon's desire to establish a central bank. The present arrangement with Banque de Syrie et du Liban is totally unsatisfactory and places Lebanon under the domination of the French bank. Unfortunately, Lebanon has no people trained to establish a central bank. Mr. Awad had learned that the Federal Reserve Board can provide this training and he wondered whether the United States, in view of the importance this would have to the Lebanese economy and to its development, might assist in this matter. Mr. Blackiston said that, in all frankness, he could not hold out hope that the United States Government could pick up the cost of this training. He referred to the healthy financial condition of the Lebanese economy which would make it impossible to justify such assistance to the American Congress. However, the United States Government would like to be helpful and if a specific request was received from the Lebanese Government, we would see what arrangements could be made with the Federal Reserve Board. Mr. Awad said that Mr. Gunter of the IMF was presently visiting Lebanon in connection with the proposed establishment of the Central Bank. Upon his return Mr. Awad indicated that he would wish to discuss this matter further, though apparently having dropped the idea of United States financial assistance to the training proposal.

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Authority NND 949569
By PT NARA Date 12/30/94

ORIGIN/ACTION		
NEA-5		
RM/R 1	REP 1	AF 5
ARA	EUR 5	FE
NEA	CU	INR 5
E 7	P	IO
L	FBO	AID 19
	UNR 1	RMR-E 1
AGR 10	COM 12	FRB 2
INT 7	LAB 6	TAR 2
TR 2	XMB 4	~~AIR~~ FMC 2
ARMY 20	CIA 15	NAVY 20
OSD 12	USIA 8	NSA 3
CAB 4	FAA 5	NSC 2

DEPARTMENT OF STATE

AIRGRAM

883a.00/11-862

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MESSAGE CENTER

A-441 NO. | CONFIDENTIAL | AIR POUCH HANDLING INDICATOR

T 1962 NOV 14 AM 9 31

DEPARTMENT OF STATE

INFO: ADDIS ABABA, AMMAN, ANKARA, BAGHDAD, CAIRO, DAMASCUS, JIDDA, TEL AVIV, TRIPOLI, LONDON

NOV. 10 1962

FROM : Amembassy BEIRUT

DATE: November 6, 1962

SUBJECT : Biweekly Economic Review No. 23, ~~Lebanon~~ - Period Ending Nov. 7, 1962

REF : CERP Section C, Item 1, Airgram No. 379, October 26, 1962.

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ANALYSIS BRANCH DISTRIBUTION

1962 NOV 13 PM 1 42

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NOV 27 12 18 PM '62

FORM 4-62 DS-323

CONFIDENTIAL

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Drafted by: ECON:JHAshida:blb

Contents and Classification Approved by: Mr. Wilson - DCM

Clearances: ECON:LCTihany

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 2/3/01

1. HIGHLIGHTS - CONFIDENTIAL

The "Marucla" affair, which irrupted suddenly into the headlines and just as suddenly vanished from them, has led the GOL to suspend new merchant marine registration for the time being. Otherwise, on the economic and business front there were few new developments. During the height of the Cuban crisis, there was some scare buying of staples, but prices did not rise. The Government, however, was reportedly prepared to intervene to protect consumers from profiteers.

In line with the improved business outlook, banks are beginning to expand their loans. Note issue as of October 31 stood unchanged at LL 464 million ($154.7 million). The dollar rate has remained steady at LP 301-2.

Now that the third basin project of the Port of Beirut is under way, the Government seems to be giving some thought to a vehicular tunnel under the Lebanon range from Araya to Chtaura. Running at three times the amount in 1961, Ministry of Public Works expenditures between January 1 and October 31 totaled LL 114.4 million ($38.1 million).

Other significant developments include the renewed attempt by IPC to reduce its work force in Lebanon and the agreement by local travel and tourism agents to eliminate discounts on air tickets. (JHA)

SHIPPING

2. GOL Suspends New Merchant Marine Registration - CONFIDENTIAL

Foreign Minister TAKLA has informed the Ambassador that he has instructed all Lebanese consular officers to refer to the Foreign Ministry any new applications for ship registration under the Lebanese flag. Local shipping agents have since confirmed that these orders have, in fact, been issued.

COMMENT - CONFIDENTIAL: The Foreign Minister's action followed almost immediately upon the Ambassador's suggestion to him that the blanket restrictions placed upon Cuban shipping by the Governments of Panama, Honduras, Liberia and Germany, and similar action by the Greek Shipowners Association, could result in wholesale transfers of registry to the Lebanese flag, with embarrassing consequences to Lebanon. (JHE)

LABOR

3. IPC Attempts to Reduce Work Force - UNCLASSIFIED

On October 31 the Iraq Petroleum Company, which conducts pipeline, terminal, and refinery operations in North Lebanon, posted notices to its employees and workers to induce them to resign. The Company privately claims that it has more than 400

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Authority NND 949569
By PT NARA Date 7/31/04

redundant workers out of a force of slightly more than 800. To those resigning, additional benefits would be granted on the basis of length of service. For instance, an employee with 10 years of service would receive 24 additional months' pay in a lump sum, plus 2 months' pay in lieu of notice, for a total of 36 months' termination payment. (He would be entitled to 10 months' indemnity pay under the Lebanese labor law.) The maximum number of months' pay applicable under the new IPC plan would be 73 months for a thirty-year employee. The Company also will grant wage payments up to January 31, 1963 to those who take advantage of its offer during the month of November.

COMMENT - OFFICIAL USE ONLY: IPC has been plagued for years with the question of redundant workers, having made a similar, but not so generous, offer in 1959 to rid itself of some of them. The Labor Attache was told by the IPC manager in Syria recently that he is facing the problem there of attempting to reduce his work force by 1000. It is reported in Beirut that thus far only four employees have resigned under this new program. (HDS)

4. Arrival of UAR Labor Officer - UNCLASSIFIED

Abdul Rahman FARID, assigned as Labor Counselor to the Embassy of the United Arab Republic in August, arrived in Beirut on October 29. Mr. Farid, a former army officer, has called on the leaders of Beirut's trade union federations and the Embassy Labor Attache.

COMMENT - OFFICIAL USE ONLY: A dapper, soft spoken Egyptian, Farid disclosed that his last assignment was director of a nationalized Cairo factory. For a brief time he was assigned to the Ministry of Social Affairs and Labor as Military Advisor and served as a Government advisor to the UAR's ILO delegation in 1955. There is yet no indication as to the activities in which Farid will engage, but anti-UAR elements within the Lebanese trade union movement have expressed concern over the possibility of Farid's reviving the latent differences between them and the Nasserites. (HDS)

ECONOMIC RELATIONS

5. Closer Ties with West Africa - (BER 21 and 22) - OFFICIAL USE ONLY

There are more indications that Lebanon is stepping up its campaign to establish closer ties with West Africa. The Lebanese Government has recently approved the establishment of a shipping company, whose shares will be subscribed 30 percent by the Government and 70 percent by the public. Backers of this project hope to establish direct service between Lebanon and West Africa with this new shipping company and thereby facilitate the export of Lebanese fruit. In this connection, the GOL's Fruit Office recently decided to send a mission to West Africa

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By PT NARA Date 7/30/04

to look into the possibility of exporting Lebanese apples there.

The Government is also expanding its program of inviting prominent African personalities to Lebanon. For this purpose the Government has reportedly allocated a sum of LL 100,000 ($33,300) to be obligated between November 15 and the end of January 1964. According to press reports Messrs. Para IBRAHIM, Guinean Minister of Planning, Gabriel DAROBISSIE, Senagalese Minister of Justice and John Cariff SMART, Foreign Minister of Sierra Leone have already been invited to Lebanon. In October Nigerian and Camerounian missions were official guests of the Lebanese Government. (JHA)

AVIATION

6. Lebanese Director General of Transport Receives Leader Grant (BER 13) UNCLASSIFIED

Mr. Fouad CHADER who, as Director General of Transport, supervises both Lebanese merchant shipping and civil aviation, has been awarded a United States leader grant. Mr. Chader will probably visit the United States in the spring.

COMMENT - OFFICIAL USE ONLY: The Embassy had hoped that Mr. Chader could be persuaded to travel to the United States at this time, both to attend the dedication ceremonies at Dulles International Airport on November 17 and to talk with Departmental officers directly concerned with the possible effects on Lebanese shipping of our Cuban quarantine. With due apologies, Chader has explained, however, that for personal reasons (his only son was killed in an Alitalia crash in June) he cannot leave Lebanon before next spring. (JHE)

7. Lebanese Travel and Tourism Agents Agree to Obey IATA Rules - UNCLASSIFIED

Those of Lebanon's travel and tourism agents who belong to the International Air Transport Association (IATA), meeting at Beirut's Riviera Hotel on October 31, unanimously agreed to observe IATA rules against discounting fares in the future.

COMMENT - OFFICIAL USE ONLY: Pan American and Middle East Airlines representatives have informed us privately that, contrary to expectation, this resolution is being obeyed and that the increase in their own ticket sales attests that it is. They attribute this phenomenon to the fact that seven Western European Airlines, who have been among the chief offenders in the past, have, after joint agreement, issued identical categorical orders to their Beirut agents that discounting of their tickets will no longer be tolerated. (JHE)

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By PT NARA Date 12/3/04

8. UK - Lebanese Air Transport Agreement Signed (BEIR 12) - UNCLASSIFIED

On October 27, a revised annex to the Lebanese - UK Air Transport Agreement was signed at Beirut by Prime Minister KARAME and the British Ambassador to Lebanon. The provisions of the revised annex have not been announced.

COMMENT - LIMITED OFFICIAL USE: The Embassy does not yet have a copy of the new annex but has been informed by the British Embassy that it expresses, without change, the understandings reached between the two countries as reported in Embdesp 648, June 11, 1962. At that time it was agreed that Lebanon would moderate its policy of "predetermining" BOAC schedules; BOAC was to lose its fifth freedom rights between Beirut and Kuwait; and Lebanese carriers were to be "blinded" Bahrain/Doha, Bahrain/Damascus. (JHE)

9. R.A.F. Search and Rescue Team Visits Lebanon - UNCLASSIFIED

A Royal Air Force launch and helicopter arrived in Beirut from Cyprus on October 31 on a three-day liaison and goodwill visit to the Lebanese Air Force. During its visit, the R.A.F. team demonstrated life-saving techniques just off Beirut's shoreline, including the location and rescue of "survivors," who were lifted by helicopter winch and lowered into the R.A.F. launch for the benefit of passersby and Lebanese television and movie cameramen. (JHE)

FINANCE

10. Visit of IBRD President Eugene Black - UNCLASSIFIED

IBRD President and Mrs. BLACK spent five hours in Beirut on November 6 enroute from Kuwait to Paris. During the brief stopover, Mr. Black called on President CHEHAB and Prime Minister KARAME. The latter was host at an informal luncheon at the Phoenicia Hotel in honor of Mr. and Mrs. Black. Present at the luncheon among others were the Lebanese Governors and their alternates to the IMF and IBRD with their wives.

President Black did not contact the Embassy. (JHA)

11. Visit of Vice President Sanford of New York Federal Reserve Bank - OFFICIAL USE ONLY

Vice President Horace L. SANFORD of the Federal Reserve Bank of New York visited Beirut between October 29 and November 1. He called on officials of the Banque de Syrie et du Liban regarding the GOL's gold purchases from his bank in the last two years. Mr. Sanford mentioned that the GOL had purchased about $31.5 million of gold from the Federal Reserve Bank of New York during the first seven months of

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By PT NARA Date 12/31/04

1962. He thought that these purchases were excessive for monetary purposes. BSL officials admitted upon questioning that the real reason for the GOL's purchases of gold was fear of devaluation of the dollar. Mr. Sanford assured them the U.S. Government had no such intention and that when the U.S. balance of payments attained a surplus in the next year or so, gold will become a drug on the market. Its price will then be depressed to the U.S. buying rate of $34.9125 per ounce. (JHA)

TRADE FAIRS

12. U.S. International Trade Fairs - UNCLASSIFIED

During the past fortnight the Commercial Office had visits from Mr. Hugh AUCHINCLOSS, representing the New York World's Fair, Mr. Vilas JOHNSON, representing the Chicago International Fair, and Mr. John WESTLAND, representing the Long Beach/Los Angeles International Trade Fair. Mr. Auchincloss was following up the $600,000, 10,000 square foot space and pavilion purchase by the Government of Lebanon at the New York World's Fair. Mr. Johnson was attempting to sign up the Lebanese Government for the summer of 1963. The GOL has participated in the Chicago Fair for the past two years. These Chicago pavilions have cost the Lebanese Government roughly $30,000 per year. Mr. Westland had more modest proposals and was hoping to sell the Lebanese Government a $10,000 pavilion at his Fair.

COMMENT - OFFICIAL USE ONLY: The Embassy has given strong support to all Fair space salesmen. It will be extraordinary salesmanship, however, if Chicago and Long Beach can make sales here after the Lebanese Government's appropriation of $600,000 for the New York World's Fair. (JCW)

13. Fairs in Lebanon (BER 19) - UNCLASSIFIED

Mr. Joseph CHADER, Chairman of the Parliamentary Finance Committee, has announced that LL 22 million ($7.3 million) have been allocated thus far for the International Fair of Lebanon at Tripoli as follows:

LL 10 million	Already turned over to Administrative Council of Fair
LL 8 million	1964 budget
LL 4 million	1965 budget

The Council of Ministers has given its approval for the Japanese floating fair ship "Sakura Maru" to conduct an exhibition of Japanese industrial products in the Port of Beirut, between December 8 and 14. According to a Japanese Embassy source, the ship is scheduled to be open to the public for four days - December 10 - 13. (JHA)

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By PT NARA Date 7/23/04

AGRICULTURE

14. Citrus Fruit Office Proposed - UNCLASSIFIED

The Lebanese citrus growers are reported to have formed a separate organization to serve their needs. They wish to have a Citrus Fruit Office established as they claim the present Fruit Office is concerned only with apples. Other desires include the abolition of export taxes, the implementation of trade agreements with Soviet Bloc countries, and the reduction of production and marketing costs. (DLM)

ECONOMIC DEVELOPMENT

15. BCAIF/AID Loan Disbursements (BER 21) - UNCLASSIFIED

Banque de Credit Agricole, Industriel et Foncier (BCAIF) disbursed $31,503 during the month of October 1962. BCAIF's total cumulative disbursements as of October 31, 1962, now amount to $2,528,102.65. SIDEM's account remains unchanged from the reported previous total. (JCW)

COMMERCIAL OFFICE

16. American Business Visitors - UNCLASSIFIED

The log of the Commercial Office shows that 22 Americans and representatives of American companies conferred with the Embassy between October 25 and November 7, among whom were Mr. David A. Anderson, from AMF Atomics, Greenwich, Connecticut; Mr. Daniel B. Curll, Jr., Director of International Operations, Day & Zimmermann, Inc., New York; Mr. Harold L. Yoh, President, Day & Zimmermann, Inc., Philadelphia; Mr. J. D. Ross, Senior Engineering Officer, Von Kohorn-Universal Corp., New York; Mr. E. P. O'Sullivan, President, Intertrade Associates, Middle East; Mr. Alfred J. Buckley, Consultant, the American Express Company, of New York. (JCW)

For the Ambassador:

Evan M. Wilson
Counselor of Embassy

Contributors:
JHAshida, JHEnnis, DLMacDonald, HDSnell, JCWeisert.

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Authority NND 949569
By PT NARA Date 7/23/04

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		12
AGR	COM	FRB
10	12	2
INT	LAB	TAR
7	6	2
TR	XMB	AIR
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ARMY	CIA	NAVY
20	15	20
OSD	USIA	NSA
12	11	3

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DEPARTMENT OF STATE

AIRGRAM

883a.00/11-2362

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A-190 PM 8 56 1962 NOV 24

CONFIDENTIAL

AIR POUCH
HANDLING INDICATOR

TO : DEPARTMENT OF STATE

INFO : ADDIS ABABA, AMMAN, ANKARA, BAGHDAD, CAIRO, DAMASCUS, JIDDA, TEL AVIV, TRIPOLI, ROME, NEW DELHI, DAKAR, FREETOWN, BELGRADE, BERN, BRUSSELS for USEC

NOV. 24 1962

FROM : Amembassy BEIRUT

DATE: November 23, 1962

SUBJECT : Biweekly Economic Review No. 24, Lebanon - Period ending Nov. 22, '62

REF : CERP Section C, Item 1, Airgram No. 441, November 8, 1962

NOV 23 PM 2 03

FINAL DISTRIBUTION BRANCH

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3. More African Visitors
4. Boycott Reorganization Proposed

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6. Gold Transit Shipments Down to a Trickle
7. Leader Grant Pays Dividend

TECHNICAL ASSISTANCE

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LABOR

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10. Unions Charge Inferior Flour Being Used
11. Jordanian Trade Union Team Stops in Lebanon
12. ICFTU Official Visits Beirut
13. Independence Day New Legal Holiday

AVIATION

14. Traffic at Beirut International Airport Has Increased This Year
15. Yugoslav Airlines Inaugurates Beirut/Belgrade Air Services

PETROLEUM

16. Tapline's 1963 Capital Expenditures

CONFIDENTIAL

FORM DS-323 4-62

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Drafted by: ECON: JHAshida: blb/wgd

Contents and Classification Approved by: DCM: Mr. Wilson

Clearances: ECON: ICTihany

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Authority NND 949569
By PT NARA Date 7/23/04

AGRICULTURE
17. Agricultural Tidbits
ECONOMIC DEVELOPMENT
18. Water Resources Congress
COMMERCIAL OFFICE
19. American Business Visitors

1. HIGHLIGHTS - UNCLASSIFIED

Lebanon's relations with the EEC and the countries of West Africa continued to occupy the minds of top GOL officials. At the end of this week preliminary negotiations looking to some form of special Lebanese-EEC arrangements will reportedly begin in Brussels. Two more African guests - the Foreign Minister of Sierra Leone and the Senagalese Minister of Justice - visited Lebanon during the past fortnight. A Guinean trade mission has just arrived for economic talks. The sending of a Lebanese mission to West Africa has been reportedly postponed until the GOL has a better idea from discussions with invited African personalities about their country's requirements and Lebanon's ability to meet some of them.

The perennial boycott problem flared into the newspapers again when the blacklisted American Export Lines freighter EXIRIA was permitted after initial delay to unload some UNRWA cargo. A reorganization of the Lebanese boycott procedures has been proposed by Minister of Public Works Pierre GEMAYEL.

Although the note issue was unchanged at LL 464 million ($153.7 million), the expenditures of the Ministry of Public Works as of November 15 totaled LL 120.6 million ($40.2 million), or three times those of the previous year. The dollar grew stronger during the past two weeks, rising from LP 301-2 to LP 303-4. Meanwhile, gold shipments through Beirut dropped to a trickle.

Other significant developments include the formal dedication of a watchmakers training center, the protest by Communist unions against employment of foreigners at the Phoenicia Hotel and the inauguration of Beirut-Belgrade commercial air services by Yugoslav Airlines. (JHA)

ECONOMIC RELATIONS

2. Lebanon Seeks EEC Affiliation - UNCLASSIFIED

According to an official announcement, preliminary negotiations will open in Brussels at the end of this week with a view to bringing about a form of Lebanese-EEC cooperation. A series of communiqués issued since November 14 affirms that the GOL has submitted an application for EEC affiliation, has answered a set of questions

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posed by the EEC Economic Committee, appointed a committee of experts to assist the Lebanese delegation negotiating in Brussels, named economic expert Paul KLAT to join the delegation headed by Lebanese Ambassador to Brussels Najib SADAKA, held a high-level meeting under the chairmanship of Foreign Minister Philip TAKLA on the subject of Lebanese-EEC cooperation, and would probably postpone for the time being a planned review of Lebanese economic and commercial agreements with the six EEC member countries.

COMMENT - UNCLASSIFIED: The press has quoted a Foreign Ministry spokesman as stating that Lebanon is not seeking either association with or membership in the EEC, but rather a form of collaboration, defined as the exchange of surplus products at special tariff rates and EEC economic assistance, in the form of experts, to Lebanon. These GOL announcements and comments coincided with a well-attended lecture in Beirut on November 14 by former Swiss Minister to the EEC Gerard BAUER, who stressed the necessity of Lebanon's entering into some form of cooperation with the EEC in order to reap benefits and avoid discrimination. Bauer paid eloquent tribute to the U.S. for its initiative in European economic regeneration and integration.

Only dissenting voice heard in connection with this flurry of EEC publicity came from pro-UAR Beirut al-Massa on November 20, deprecating talk of cooperation with the EEC because "Lebanon has nothing to sell to the EEC," even though "half of Lebanon's purchases" are from this source.

(Begin LIMITED OFFICIAL USE) The Lebanese attitude to the EEC has changed considerably during the past year from that of opposition to one for collaboration. Past opposition, thus far restated only by Beirut al-Massa, was based on (a) original UAR opposition to the EEC concept and (b) the probability of some form of EEC-Israel affiliation. (End LIMITED OFFICIAL USE) (ICT)

ECONOMIC RELATIONS

3. More African Visitors - UNCLASSIFIED

During the past two weeks the Foreign Minister of Sierra Leone John Carriff SMART and the Senagalese Minister of Justice Gabriel D'ARBOUSSIER spent several days in Lebanon as official guests of the Lebanese Government. After the usual courtesy calls on President CHEHAB and Prime Minister KARAME, they held discussions with Lebanese officials and then spent some of their time touring the scenic and archeological attractions of Lebanon.

Mr. d'Arboussier gave a press conference at the Hotel Phoenicia in which he expressed pleasure at having had an opportunity to observe the successful Lebanese experience of attracting and keeping foreign capital in Lebanon. He also referred

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to economic planning by Father Lebret in his country, the possibilities of trade between the two countries and Lebanese investments in Senegal. On another occasion he stated that as a drafter of the new Senegalese constitution, he had made a provision for "open nationality," under which Lebanese residents in Senegal may have dual nationality to encourage them to take an active part in the country's development. He also delivered two public lectures, one on the "African Union" and another on "European Economic Union and the Common African Market." Before his departure, d'Arboussier was decorated by the Lebanese Minister of Justice Fuad BOUTROS with the Grand Cordon of the National Order of Cedars.

A Guinean trade delegation arrived in Beirut on November 21.

COMMENT - UNCLASSIFIED: The GOL now appears to be emphasizing contacts with invited African personalities to give it a better idea of what these countries want from Lebanon. Moreover, to conduct studies and compile statistics on Africa, the Ministry of Foreign Affairs has recently established a special Africa section in the ministry. The GOL has apparently postponed the sending of a Lebanese mission headed by the Minister of National Economy Rafiq NAJA to west Africa until the GOL has a clearer idea of the technical and economic requirements of each country concerned through discussions with visiting Africans and studies conducted by the Lebanese themselves. (JHA)

4. Boycott Reorganization Proposed - UNCLASSIFIED

The Council of Ministers, which was scheduled on November 21 to consider a proposal by Minister of Public Works Pierre GEMAYEL to reorganize Lebanese Boycott procedures, has postponed the discussion with Gemayel's approval until its next meeting on November 28 at the suggestion of President CHEHAB. Gemayel's plan, unsuccessfully presented before, envisages (a) an interdepartmental ministerial committee to recommend blacklistings and de-blacklistings, (b) approval or disapproval of such recommendations by the Council of Ministers, and (c) publication of the Council of Ministers decisions in the Official Gazette.

COMMENT - CONFIDENTIAL: Christian Phalange leader Gemayel's aim is to deprive fanatical pro-Arab Nadim HALLAQ, present head of the Lebanese Boycott Bureau, of his practically limitless power to interpret and enforce boycott rules. Hallaq has powerful political support; his immediate superior, Minister of National Economy Rafiq NAJA, an able Moslem politician, cannot and will not completely disown or curb him. Immediate motivation behind present Gemayel proposals are (a) recent blacklisting in Lebanon of the French encyclopedic dictionary Larousse for its inclusion of an allegedly pro-Zionist article on Israel; and (b) the case of the blacklisted American Export Lines' ship EXIRIA, which came to Beirut on November 20 with a cargo including 2200 tons of UNWRA flour, but was at first prevented from docking even though she had

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unloaded cargo at Alexandria, her last port of call before Beirut.

Solution of the Lebanese boycott problem has been rendered difficult by the fact that pro- and anti-Hallaq forces are ranged according to confessional lines. (ICT)

TOURISM

5. Italian-Lebanese Bilateral Trade - Tourists for Fiats - UNCLASSIFIED

An Italian Touristic Mission arrived in Beirut on November 18. The Mission included Dr. Guido RICCI, Inspector General of Italian Tourism, Dr. Constantin COLLEJA, owner of the largest chain of hotels in Italy, together with the directors of an Italian airline, an Italian steamship company, and an Italian press organization. The Mission planned to spend two weeks in Lebanon conferring with Lebanese officials.

COMMENT - OFFICIAL USE ONLY: This Mission is Italy's answer to Lebanon's request for more Italian purchases to redress a trade balance of over $20,000,000 in Italy's favor. The Italian Government quite frankly admitted the impossibility of buying Lebanese agricultural products (olives, citrus, apples, etc.) since it produces its own, but it did offer to assist Lebanon in luring some of Italy's tourists to Lebanon. The significance of this to the US is that the Lebanese Government is giving increased recognition to its invisible income sources - to which the US is such a large contributor. (JCW)

FINANCE

6. Gold Transit Shipments Down to a Trickle - UNCLASSIFIED

Beirut gold dealers who were handling about two-thirds of the annual volume of gold shipments from Europe to India estimated at $150 million have for the last two weeks had almost no business. Except for a trickle of 200-300 kilograms of gold shipments a week to Turkey and Iran, gold transit shipments through Beirut have come to a halt. The Beirut price of gold per ounce has dropped to about $35.25 from $35.40, the price prevailing during the height of the Cuban crisis.

Local gold dealers attribute the cessation of gold shipments to the introduction of the gold bond by the Indian authorities and their renewed intensified efforts to eliminate the smuggling of gold into India. One gold dealer reports that a customer of his was caught recently trying to smuggle 700 kilograms of gold.

COMMENT - OFFICIAL USE ONLY: Since the Indian authorities apparently mean business this time in enforcing the ban on smuggling, local gold dealers who prospered on this business in the past are now faced with lean days. (JHA)

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7. Leader Grant Pays Dividend - UNCLASSIFIED

President of the High Council of the Beirut Stock Exchange George YONAN recently returned to Lebanon from a visit to the U.S. on a 21-day partial leader grant. Since his return, Yonan has become one of the most enthusiastic and eloquent protagonists of the United States in Beirut economic and social circles.

COMMENT - OFFICIAL USE ONLY: Yonan traveled to America at his own expense and received only internal travel expenses plus per diem for 21 days. This was his first visit in the U.S. While there, he saw New York, Boston, Washington, Chicago, New Orleans and San Francisco; attended the recent IMF conference; and visited the grain exchange in Chicago and the cotton exchange in New Orleans. Although he is unable to speak English, he absorbed an impressive amount of information concerning American politics, economics and culture, about which he speaks only in superlatives. He is now planning to give a public lecture and perhaps publish an account of his trip. The Embassy can now count Yonan among its best influential friends. (ICT)

TECHNICAL ASSISTANCE

8. Watchmakers' Training Center Inaugurated - UNCLASSIFIED

On November 13 Minister of Social Affairs Jean AZIZ officially dedicated a professional watchmakers' training center at the GOL's new vocational and professional training center at Dekouane, just outside Beirut. Present at the ceremony were the Swiss Ambassador, two delegates from the Swiss watch industry and representatives of the Lebanese industry and labor unions.

The watchmakers' training center represents the fulfillment of a desire on the part of the Swiss watch industry to lift what it considers deplorable standards of watch repair in the region. A proposal for such a training center by a representative of the Swiss watch industry was received very favorably by the Ministry of Social Affairs in 1961. Negotiations led to the signing of a 3-year agreement between the Ministry and the Swiss watch industry on March 20, 1962. The center actually began operations in June, but formal dedication was postponed until November 13.

Under the agreement the Ministry is providing the building and the administrative staff while the Swiss are donating the services of two instructors and teaching equipment. There are at present 20 students, all of them Lebanese, with 40 applicants on the waiting list. The students take 3 hours of instruction three times a week for one year and work as watch repairers outside class hours. There is no tuition fee, only a LL 50 for a deposit for tools. Instruction is in French, and the center hopes to train Lebanese teachers who will later be used to instruct in Arabic students coming from other Arab countries. Enrollment is expected to be increased to 30 students in the second year. (JHA)

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LABOR

9. Communist Unions Protest Employment of Foreigners at Phoenicia Hotel - UNCLASSIFIED

Early this month a delegation from Lebanon's Communist unions, led by Elias HABRE, protested to the Director General of the Ministry of Labor and Social Affairs that some 30 foreigners were employed at Beirut's plush Phoenicia Hotel in positions which should be held by Lebanese. The delegation further accused the Phoenicia's foreign employees of "mistreating" Lebanese workers. Since then, the Communist press has continued its attacks on the Phoenicia and other enterprises employing foreigners. Not more than three Phoenicia employees are Americans.

COMMENT - LIMITED OFFICIAL USE: These Communist attacks on the Phoenicia grow out of the hotel's policy of dealing exclusively with the anti-Communist Hotel Establishments Union and ignoring Habre's Hotel and Restaurant Employees Union. Operating with a staff of 600 people, the Phoenicia is the country's biggest employer of hotel workers. Ministry officials privately declare that the Communists' protests will be ignored.

Lebanon's anti-Communist Confederation of Lebanese Labor (CLL) had earlier called for immediate parliamentary action on a draft law governing the issuance of work permits for foreigners which had been approved by the Council of Ministers (See Embdesp 584, May 4, 1962). This draft law, many felt, was aimed at subversives, and more particularly, at certain Palestinians and Syrians. The CCL, however, has not associated itself with the current Communist campaign against the Phoenicia's employment policy. (HDS)

10. Unions Charge Inferior Flour Being Used - UNCLASSIFIED

Joining with the CCL, the Federation of Independent Trade Unions (FITU) has filed protests with the appropriate Government agencies and medical colleges over what is alleged to be insect-infected and vitamin-deficient imported flour. Government reaction was swift, for on November 19, three days after the Union's broadside had been fired, the Government's Consumer Protection Department announced that it would step up drastically its spot checks on imported flour.

COMMENT - OFFICIAL USE ONLY: Although the FITU has hesitated to make formal application for membership in the Confederation of Lebanese Labor, it continues to hold joint meetings with the CLL and to make common cause with it. The Union groups claimed that they have evidence from "scientific sources" that inferior and often injurious flour is being sold to the Lebanese public. (HDS)

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11. Jordanian Trade Union Team Stops in Lebanon - UNCLASSIFIED

Four of the five members of the first AID-sponsored team of Jordanian trade unionists spent November 17 in Beirut on their way home from a six-week visit to the U.S. The fifth member, Ramzi SALEM, left the group in London for a short visit there. Team members voiced several complaints of their treatment in the United States, although they admitted enjoying some enlightening and rewarding experiences. (HDS)

12. ICFTU Official Visits Beirut - UNCLASSIFIED

Herbert TULATZ, Assistant General Secretary, International Confederation of Free Trade Unions (ICFTU), paid a two-day visit to Beirut on his way to the Tenth Anniversary celebration of the ICFTU's Asian Trade Union College in Calcutta. Tulatz told the Labor Attache that he had met with leaders of Lebanon's two ICFTU affiliates and discussed their proposal for instituting a Middle East labor research center in Beirut. (HDS)

13. Independence Day New Legal Holiday - UNCLASSIFIED

At its session of November 20 Parliament unanimously passed a bill making the Lebanese Independence Day, November 22, a legal holiday. The following day the President promulgated the law and had it published in the Official Gazette. Effective this year, the statute provides that all government and private employees whose work is not of a continuous nature will be released from duty on the holiday. Those required to work will receive premium overtime pay.

COMMENT - OFFICIAL USE ONLY: The new law, vigorously supported by the trade unions, is only the second establishing legal holidays. The first, passed in 1959 after a vigorous lobbying campaign by the unions, was May Day which, like the present law, was passed on the eve of the holiday. How effective enforcement of the new law will be can only be determined after another year's experience. (HDS)

AVIATION

14. Traffic at Beirut International Airport Has Increased This Year - UNCLASSIFIED

Airport statistics reflect increases in traffic during the first nine months of 1962 over the corresponding period in 1961, as follows: a 14 percent increase in passengers (642,747 vs. 592,576); an 8 percent increase in freight (17,336 tons vs. 15,994); and a 26 percent increase in mail (572 vs. 455 tons).

The number of aircraft arrivals and departures were, however, almost identical during the two periods: 26,580 vs. 26,586. (JHE)

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15. Yugoslav Airline Inaugurates Beirut/Belgrade Air Services - UNCLASSIFIED

Yugoslav Airlines (YAT) began weekly commercial air services between Belgrade and Beirut on November 18. A flight is scheduled to arrive at Beirut every Sunday evening from Belgrade and to return to Belgrade, via Athens, every Monday afternoon. A DC-6B is used.

The inaugural flight from Beirut to Belgrade on November 19 reportedly carried a number of Lebanese journalists and businessmen to Belgrade as guests of the airline. Radwan MOWLAWI, Editor-in-Chief of the National News Agency, is said to have been one of them. The party will presumably, remain in Belgrade for a week, returning to Beirut on the next regularly scheduled flight. (JHE)

PETROLEUM

16. Tapline's 1963 Capital Expenditures - UNCLASSIFIED

At the fall meeting of Tapline's Board of Directors held in Dahran on October 10, the principal items approved in the 1963 capital budget were the Sidon Terminal Improvement Program, amounting to $340,000, and a $250,000 appropriation for replacement of mobile and work equipment.

The 1963 Sidon Terminal Improvement Program is an extension of the 1962 program and covers modifications to loading berths at Sidon to achieve higher loading rates to the very large tankers which are expected to load at Sidon in the coming years. The main item is a new 36-inch line, 6,700 feet long, to be installed in Berth 1 to supplement present 18 inch and 20 inch lines. Berth 1, which is now capable of berthing 100,000 deadweight ton tankers following the extension of existing lines into deeper water in October 1962, will be capable of loading rates as high as 75,000 barrels per hour after the new 36-inch loop is installed in 1963.

An additional item in the 1963 Sidon program will be the replacement of the present 12 inch loading hose in Berth No. 4 with a 16 inch hose, thereby raising the maximum loading rate of that berth from 24,000 barrels per hour.

The principal equipment items to be purchased in 1963 will be 22 new welding machines, a 15 ton crane and a new rock crusher and loader.

COMMENT - UNCLASSIFIED: Tapline's capital expenditures on extending two of the berths to deeper water in 1962 and the installation of larger diameter pipes to two of the berths in 1963 will assist the company to maintain its competitiveness through its terminal's enhanced ability to handle very large tankers quickly and efficiently. (JHA)

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AGRICULTURE

17. Agricultural Tidbits

Apple Exports to Western European Countries: In 1961/62 marketing season Western European countries shared 2.7 percent (2,200 tons) of Lebanon's total apple exports of 72,000 tons. United Kingdom and West Germany imported 900 and 800 tons respectively. In the 1960/61 season of total exports of 44,000 tons, Western European countries imported only 100 tons.

International Poultry Nutrition Seminar (November 20/24): An International Poultry Nutrition Seminar organized by the Soybean Council of America was inaugurated on November 20, 1962 under the patronage of the Ministry of Agriculture. Countries represented are Lebanon, Syria, Jordan, Cyprus and Tunisia.

Poultry Products: Effective February 10, 1963 the importation of live and dressed poultry shall become subject to advance licensing. However, the importation of breeding poultry stock and one day old chicks are excepted. The purpose of the order is to protect the local poultry industry. (MB)

ECONOMIC DEVELOPMENT

18. Water Resources Congress - UNCLASSIFIED

The Water Resources Congress for the Eastern Mediterranean met in Beirut between November 13 and 17 under the auspices of the World Health Organization and the Lebanese Ministries of Health and of Public Works. About 22 delegates representing 12 countries attended the Congress.

During the discussions of the Congress it was disclosed that the water situation in Lebanon is better than most other countries in the area except the UAR and Tunisia. At present Lebanon is utilizing only 350 million cubic meters of water out of an average of seven billion cubic meters of rain water per annum. Lebanon's potential water resources are considered adequate to meet the country's requirements. Only 65% of the population have running water.

The Congress adopted resolutions urging priority development of hydro-electric projects, encouraging specialization in hydraulic engineering through payment of higher salaries to such personnel, and suggesting that necessary technical and financial assistance be obtained from the WHO and IBRD to develop the country's water resources. (JHA)

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COMMERCIAL OFFICE

19. American Business Visitors - UNCLASSIFIED

The log of the Commercial Office shows twenty American visitors or representatives of American companies during the period between November 8 and November 21. Among these was Mr. Neil McElroy, Chairman of the Board, Procter and Gamble, Cincinnati, Ohio; Messrs. R. Banks Smith and Wilson K. Ray of ALCOA International, Lausanne, Switzerland; Mr. W. D. Burns of National Steel Corporation, New York; Mr. Donald M. Brown of Brown and Root Engineers, Houston, Texas; and Mr. Robert R. Rovzar, Export Manager, Thompson Chemical Company, Pawtucket, Rhode Island. (JCW)

For the Ambassador:

Evan M. Wilson
Counselor of Embassy

Contributors:

JHAshida, MNBekhash, JHEnnis, HDSnell, ICTihany, JCWeisert

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ORIGIN/ACTION		
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RMIS 3	WIB 1	
AGR 10	COM 12	FRB 3
INT 7	LAB	TAR 2
TR 2	XMB 4	AIR
ARMY 20	CIA 15	NAVY 20
OSD 12	USIA 8	NSA 3
CAB 4	FAA 5	NSC 2

DEPARTMENT OF STATE

AIRGRAM

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MESSAGE CENTER A-549 NO. OFFICIAL USE ONLY Priority HANDLING INDICATOR

TO : DEPARTMENT OF STATE 1962 DEC 4 PM 1 44 1962 DEC 4 AM 8 34

INFO : BASRA
BEIRUT

No action - file 12/4/62

RECORDS ANALYSIS & DISTRIBUTION BRANCH

NE/E [illegible]

FROM : Amembassy BAGHDAD DATE: December 1, 1962

SUBJECT : BIWEEKLY ECONOMIC REVIEW: November 18 - December 1, 1962 - No. 24

REF : CERP: C-3

583a.00 12-162

Headlines

Some sectors of economy showing upturn, while others remain depressed. Higher Supply Committee decrees new price controls in attempt to cut profit margins. Oil picture remains quiet. Embassy reminds Iraq Government of risks inherent in impending civil air negotiations with the USSR. Foreign Ministry assured Embassy Iraq wants civil air negotiations with U.S. Singer requests reconsideration of agency ruling. Small Bulgarian industrial exhibition opens. East Germans to buy 17,000 tons of dates. West Germans to buy 10,000 tons of dates in exchange for Iraq's issuance of Mercedes-Benz import licenses. New crop production estimates released. Minister of Industry postpones issuance of auto assembly license.

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FORM 4-62 DS-323

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Drafted by: ECON:PHGray/WHBray/JLill:nvf 12-1-62

Contents and Classification Approved by: ECON:WHBray

Clearances:

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1. Present Situation and Outlook (OFFICIAL USE ONLY)

Reports are conflicting regarding Iraqi economic activity for the period November 17 to December 1. On the one hand large importers of consumer soft goods, including textiles, sugar and tea, report that buying suddenly became active on or about November 25. They attribute the upward turn of marketing activity to the unannounced lifting of the embargo on the movement of foodstuffs in large quantities to the cities in north Iraq and to the sudden cold weather. Representatives of the larger banks in Baghdad confirm these developments and note that deposits are increasing while loan applications are relatively stable because the licensing authorities are slow in granting import permits as the end of the import licensing year approaches. Importers of consumer durables and construction materials, on the other hand, state that the market for their products remains dull, despite some price cutting on construction materials. The listlessness of this market sector is associated with the slow-down in the government's development program and the temporary over-extension of credit which is financing residential construction.

Elsewhere in the economy, the same mixed picture appears. The government has revised upward its earlier estimates of agricultural production, particularly barley and wheat. After a rather slow start, Iraqi barley is reported to be moving into the international market. The Dates Administration has announced it will pay in cash for the remaining amounts due on the Central Valley dates which growers had delivered from the 1961 crop to that government agency. Work on certain major construction projects is continuing but new starts have practically ceased. Local merchants and hotel keepers may benefit from the influx of foreign visitors arriving to celebrate the Al-Kindi festival. Other sectors of the economy, however, are either quiet or feeling aggrieved by various developments. For example, in efforts to hold down inflationary pressures, the Ministry of Commerce is attempting to cut back the traditional mark-up formulas used by Iraqi importers and merchants in the consumer durable goods field. Such items as washing machines, air conditioners and air coolers for domestic use, sewing machines, gas or oil kitchen stoves and radios-TV are affected. Several Iraqi importers of American brands in the consumer goods field report that profit margins are being squeezed so tightly by the proposed price control regulations that they could use their capital to better advantage by purchasing government securities or, better still, exporting and investing it abroad. Government efforts to cut profit margins on imported consumer durables appear at a time when increased unit sales of equipment would not compensate merchants, at least in part for lower unit profit margins, because of the government's restrictive import policy.

Iraq's oil industry operated uneventfully during this period. The Oil Ministry was much occupied in moving to handsome new quarters near the Baghdad Hotel and in conferring with and entertaining officials of other oil producing and exporting countries who made courtesy stopovers in Baghdad en route to the OPEC meeting at Riyadh, Saudi Arabia.

The USSR will send a negotiating team to Baghdad in early December to conduct civil air talks with a view to establishing direct air service between Moscow and Baghdad.

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2. Civil Aviation

a. Embassy Points out Disadvantages to Iraq of Proposed Civil Air Agreement With Soviets (OFFICIAL USE ONLY)

The Government of Iraq is currently awaiting the arrival in Baghdad of a Soviet delegation, whose purpose will be to negotiate a bilateral civil air agreement with the Iraqis. Drawing upon instructions received from the Department, the Embassy attempted to impress upon officials in the Ministry of Foreign Affairs the unfavorable effects which an agreement with the USSR would have upon future commercial prospects of Iraqi Airways (IAS) and hence upon consideration of the IAS application for a loan from the Export-Import Bank. Foreign Ministry officials were impressed by the Soviets' failure to adhere to international civil air conventions, and jumped at the suggestion that the U.S. regional civil air attache visit Baghdad at an early date in order to suggest specific treaty language which might protect Iraq's civil air interests in any agreement with the USSR.

Comment:

The Iraqis appear to have done little to prepare for negotiations with the Soviets (other than to reaffirm their Arab League and neighboring states cabotage policy) and were quite unaware of the possible pitfalls which such negotiations might involve. For this reason alone, the Embassy feels its approach to the Government of Iraq on the subject of Iraq-USSR civil air negotiations has been beneficial to U.S. interests.

b. Foreign Ministry Official Assures Embassy Iraq Wants Civil Air Negotiations With the United States (OFFICIAL USE ONLY)

The Foreign Ministry assured the Embassy that the Iraq Government is in earnest regarding civil air negotiations which they suggest be started in early January 1963 in Baghdad.

The Embassy was also given to understand that there is still a slight possibility that the government at the highest levels might order the lifting of the ban on PAA service between Baghdad and Istanbul.

On another issue, that of the loan application of the Iraqi Airways Services with Eximbank for the purchase of two Boeing jets, the Foreign Ministry implied that Iraq attached great importance to an early and favorable decision and stated the Iraq Government or the Central Bank would guarantee the loan.

3. Oil Developments (OFFICIAL USE ONLY)

The two week period was generally quiet for the Iraqi oil industry. The Oil Ministry seemed to be occupied in conferences with visiting foreign oil officials and in moving to its new headquarters. A state of readiness is being maintained by IPC in order to react promptly to threatened damages to life and property caused by armed incursions into the IPC producing areas.

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Contentious and major issues between the Government of Iraq and IPC remained unsolved and unchanged. No progress was made in removing or resolving various administrative actions, such as oil tanker taxes, which are hampering the export of Iraqi oil.

A party of ENI technicians is reported to have been in Baghdad for almost a month, conferring with the Oil Ministry on production and marketing problems which may be related to the establishment of the proposed National Iraqi Oil Company (INOC).

The Prime Minister announced in the context of a speech that the draft legislation for the INOC would become law in early 1963.

4. Trade and Commerce (UNCLASSIFIED)

a. High Supply Committee Decrees New Price Controls

The Baghdad press carried on November 26 the text of Notification No. 1 of the High Supply Committee, headed by the Prime Minister, imposing price controls on a variety of commodities, including freezers, air conditioners, radio-phonograph sets, radio-TV sets, water heaters, water coolers, irons, sewing machines, photographic equipment, as well as on a wide range of spare parts. According to the notification, the selling price of such items is to be based on C & F plus a 15, 20 or 25 per cent profit margin (depending on the item) for the wholesaler, plus customs duties, port charges, insurance, and freight from the customs house to the importer's warehouse. Retailers are limited to a 10 per cent mark-up on the controlled items.

Comment:

Various merchants have commented that these controls will result in very low net profits to the wholesaler, and in some cases in net losses. Motor vehicle and heavy equipment dealers maintain that they will lose money in importing slow-moving spare parts where their mark-up is limited to 25 per cent of C & F in view of the many expenses involved in importing, warehousing and selling such items plus interest on capital tied up for long periods in spare parts inventories.

The Baghdad Chamber of Commerce will study the effect of these new price controls on the merchants affected and will present any recommendations it may have for remedial action to the Ministry of Commerce.

b. Singer Sewing Machine Company Requests Reconsideration of Agency Ruling (OFFICIAL USE ONLY)

In a recent visit to Baghdad, Singer Sewing Machine Company representatives from New York and Beirut, accompanied by the local Singer manager, called on the Director General of Registration and Supervision of Companies to discuss the Ministry of Commerce ruling that the Commercial Agencies Law of 1960 (Law 23) applies to Singer's Iraq branch. (The Ministry's ruling was based on the fact that the local Singer company is not a branch of a manufacturer, the Singer

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Manufacturing Company, but of the Singer Sewing Machine Company, a separate legal entity.) The Singer representatives questioned the validity of the ruling on the grounds that the Singer Sewing Machine Company does not function as an agent of the Singer Manufacturing Company but acts in its own name and for its own account on a principal to principal basis, buying outright the sewing machines it sells not only from the Singer Manufacturing Company but from various Singer entities outside the United States. The Singer representatives pointed out that if under Law 23 Singer were held to be an agency of all such entities the result would be, in effect, to suggest that each such Singer manufacturing entitly register a branch in Iraq. In compliance with the DG's suggestion, the arguments made orally were incorporated in a letter to him dated November 29, 1962, with the request that the Ministry's ruling be reconsidered. It is the understanding of the Singer representatives that even if the Ministry's ruling stands the branch can continue its maintenance, repair and training functions but will be unable to import machines and parts. In such case, importation would probably be carried on by Iraqi consignment agents. There is no plan at this juncture for Iraqization of the Singer branch in compliance with Law 23.

5. Commercial Relations

a. Iraqi Trade Delegation Now in India (UNCLASSIFIED)

A six man Iraqi delegation headed by Nadhim al-ZAHAWI, Minister of Commerce, opened trade discussions with Indian officials in New Delhi on November 26. The primary aims of the trip, from Iraq's point of view, are to renew the trade agreement between Iraq and India, which expired on May 16, 1962 and to reach an agreement on Indian imports of Iraqi dates during the current season. Following the conclusion of their anticipated ten day stay in India, the Iraqi delegation intends to visit Pakistan for one week.

b. Opening of Bulgarian Industrial Exhibition (UNCLASSIFIED)

A Bulgarian industrial exhibition of modest size opened in downtown Baghdad on November 22 amidst favorable publicity and speeches by Iraqi Minister of Commerce Zahawi and the Bulgarian Charge d'Affaires. The exhibition is located on one floor of a building whose dimensions are only approximately 30 x 10 meters. The location is, however, excellent, and thousands of Iraqis have visited the exhibition, which consists primarily of industrial machinery such as a cotton loom, lathes, drills, light farm machinery, diesel motors, and a press. There are also small exhibits of consumer goods, including pharmaceuticals, textiles, canned goods and liquors, and radios. The exhibition is expected to continue until the middle of December.

6. Date Developments

a. Central Area Date Growers to be Paid for 1961 Crop (UNCLASSIFIED)

The Iraqi Dates Organization announced on November 28 that all date growers who had delivered to the Central Area Cooperative Society their 1961 harvests and who had not received full payment therefor could obtain the balance due them at once. There was no mention of the total amount involved.

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b. East Germany to Purchase 17,000 Tons of Iraqi Dates (UNCLASSIFIED)

The Iraqi delegation which recently concluded a date sale agreement with the USSR has signed an agreement with the German Democratic Republic, whereby the latter will purchase 17,000 tons of Iraqi dates from the current crop. It is expected that a similar agreement will also be signed with Czechoslovakia in the near future.

Comment:

The East German deal now brings the total of dates to be purchased from this year's crop by Bloc countries to 117,000 tons, including 75,000 tons by Communist China and 25,000 tons by the Soviets.

c. Iraqi-West German Date Barter Deal Concluded (UNCLASSIFIED)

A West German importer has agreed to buy for industrial purposes 10,000 tons of inferior grade Iraqi dates at ID 13 per ton in exchange for Iraqi authorization for shipment by the Germans of a like value in Mercedes-Benz automobiles to Iraq outside of the normal quota. The Iraqi distributor of Mercedes-Benz vehicles arranged the deal in a recent trip to West Germany.

Comment: (OFFICIAL USE ONLY)

According to West German Embassy officials, the deal was arranged after the Iraq Government told the local Mercedes distributor he could no longer import cars into Iraq via Iskanderun, Turkey, as he had been doing in the past. Mercedes will pay approximately 10 per cent of the value of the imported dates as its share of the cost.

7. Agriculture (UNCLASSIFIED)

Latest estimates of key crop production for 1962 in Iraq have just been released by the Ministry of Agriculture. These figures, as announced by the local press, do not differ markedly from those released previously and transmitted to the Department in Embassy's A-420, October 20, 1962, page 5. The totals, which are given below, add up to Iraq's most bountiful harvest in years, especially in wheat and barley:

Crop	Cultivated Area in Dunams*	Production in Metric Tons
Wheat	6,362,761	1,085,494
Barley	4,757,564	1,125,257
Rice	339,961	113,500
Cotton	137,000	25,000

* 1 dunam = .62 acre

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8. Industry

Ministry of Industry Postpones Issuance of Auto Assembly License

BEGIN UNCLASSIFIED

The Baghdad press reported on November 22, 1962 a decision of the Ministry of Industry to postpone issuance of a license for the assembly of automobiles in Iraq. Applications are pending with the Ministry for licenses to assemble Italian and Yugoslav Fiat cars.

END UNCLASSIFIED
BEGIN OFFICIAL USE ONLY

There is speculation in the business community that the postponement is based on a decision of the Prime Minister that an automobile assembly plant should not be established as a private enterprise but should be set up as a public company with considerable Government participation and control. If this report is valid about the Prime Minister's thinking, the Government may wish to delay action until its financial position is improved and also to gain time for a thorough study of the role it should assume in an auto assembly venture.

For the Charge d'Affaires, a.i.:

William H. Bray, Jr.

William H. Bray, Jr.
Counselor of Embassy
for Economic Affairs

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ORIGIN/ACTION

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OSD	USIA	NSA
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DEPARTMENT OF STATE

AIRGRAM

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A-548 (NO.) CONFIDENTIAL AIR POUCH (HANDLING INDICATOR)

TO : DEPARTMENT OF STATE

INFO : ADDIS ABABA, AMMAN, ANKARA, BAGHDAD, CAIRO, DAMASCUS, JIDDA, TEL AVIV, TRIPOLI, DAKAR, LAGOS, BRUSSELS (for USEC), LIBREVILLE, FORT LAMY, CONAKRY, MOSCOW

FROM : AMEMBASSY BEIRUT

DATE: DEC. 8 1962

SUBJECT : Biweekly Economic Review No. 25, Lebanon - Period ending Dec. 6, 1962.

REF : CERP Section C, Item 3., Airgram No. 490, November 23, 1962

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Drafted by: ECON:JHashida:blb

Contents and Classification Approved by: DCM:Mr. Wilson

Clearances: ECON:LCTihany

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Authority NND 949569
By PT NARA Date 7/23/04

1. HIGHLIGHTS - UNCLASSIFIED

Lebanon's foreign economic relations continued to dominate the economic newsfront. Paul Klat, Prime Minister Karame's principal economic advisor, left for Brussels to participate in the opening negotiations between Lebanon and the EEC. Lebanon signed economic and financial agreements with a visiting Guinean mission. The Lebanese Ambassador to Senegal returned to Dakar with seven invitations for African leaders. The new Lebanese Ambassador-designate to Nigeria is reportedly leaving for his new post with several invitations for leading Nigerians in his pocket. There were no basic improvements in Lebanon's relations with Syria.

Lebanon's string of sunny days finally came to an end with the first appreciable rainfall since last October. Additional precipitation is still needed for the sowing of wheat and barley.

Most of the financial indicators, like the note issue and the dollar rate, remained unchanged from the previous fortnight. Total customs revenue for the first eleven months of 1962 totaled LL 103.6 million ($34.5 million), some LL 1.2 million ($400,000) less than the corresponding period in 1961. (JHA)

ECONOMIC RELATIONS

2. Agreements Signed with Guinea (BER 24) - UNCLASSIFIED

A Guinean mission headed by Minister of Planning Ibrahim BARI arrived in Beirut on November 21 and concluded a cultural and a technical assistance agreement with the Lebanese Government before departing Lebanon on November 27. According to press reports, the 1960 trade agreement between the two countries, which had never come into effect because of its alleged unsatisfactory provisions, was in addition amended (1) to allow Lebanese businessmen to invest in Guinea, (2) to permit Lebanese immigrants in Guinea to transfer their money to Lebanon, and (3) to set the annual volume of trade at one million dollars. Under the two other agreements both countries will encourage the exchange of books and teachers, and Lebanon will provide technical assistance to Guinea.

COMMENT - OFFICIAL USE ONLY: This is the second African country with which Lebanon has concluded economic agreements in the last two months. In contrast to the first country Cameroun, Guinea is of more importance economically to Lebanon. There is reportedly a colony of some 3,000 Lebanese living in Guinea. The Lebanese-Guinean foreign trade for 1960, the last year for which such published data are available, showed a total value of LL 687,000 ($229,000). Lebanese imports from Guinea in 1960 amounted to LL 669,000 ($223,000) and Lebanese exports to Guinea only LL 18,000 ($6,000). Lebanese imports from Guinea consisted overwhelmingly of raw skins - LL 655,000 ($215,000). (JHA)

3. More Invitations to African Leaders (BER 24) - UNCLASSIFIED

According to an official press release, Lebanese Ambassador to Senegal Mohamed Ali HAMADEH, who spent several weeks in Lebanon assisting the Government

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in the economic negotiations conducted with visiting African delegations, left Beirut on November 27 enroute to his post. He took back with him seven invitations to leading Africans to visit Lebanon: Senegalese Minister of Information, the Foreign Minister of Chad, the Minister of Economy of the Republic of Gabon, and four other unnamed leaders from countries with which Lebanon has diplomatic relations.

Mr. Antoine FRANCIS, the new Lebanese Ambassador-designate to Nigeria is reportedly leaving for his new post with several official invitations to leading Nigerians to visit Lebanon. The GOL is currently participating in the international fair at Lagos as part of its program to further closer cultural and economic ties between Lebanon and Nigeria. (JHA)

4. Lebanese EEC Negotiator Leaves for Brussels (BER 24) - UNCLASSIFIED

Paul KLAT, Prime Minister KARAME's principal economic advisor, left for Brussels on December 1 to participate in the opening negotiations between Lebanon and the EEC. A Foreign Ministry source has stated that the purpose of the negotiations is to conclude bilateral trade agreements with all six EEC members.

COMMENT - CONFIDENTIAL: At present, Lebanon has bilateral trade agreements only with France and Italy. These two agreements have, however, been ineffective in stimulating trade increases beyond the overall growth of Lebanon's foreign commerce. Before leaving Beirut Klat jokingly told an Embassy officer that his departure for Brussels, originally scheduled two weeks earlier, had been postponed to keep him from running into Israeli Finance Minister ESHKOL in the Belgian capital. In the meantime, the Lebanese debate on the pros and cons of the EEC has been re-opened, due to a reported statement at the Tunis Arab Chambers of Commerce meeting by Lebanese Chamber President SAHMARANI to the effect that "the EEC represents a danger to all Arab countries." (LCT)

5. Boycott Reorganization Pending (BER 24) - CONFIDENTIAL

Contrary to an earlier announcement, the Council of Ministers did not take up the Gemayel boycott reorganization plan during its sitting on December 5. In the meantime, five new U.S. firms, including Tecumseh Products Co., have been placed on the blacklist. The Embassy has heard that Remington Rand, through affiliation with Sperry Rand, is facing possible blacklisting. Pan American is not yet in the clear as regards a tenuous boycott threat.

COMMENT - CONFIDENTIAL: The Embassy has been informed in confidence that within the next few days a decree will be published reorganizing the boycott procedures in the following manner. A five-member committee, under the chairmanship of the Secretary General of the Foreign Ministry and consisting, in addition, of the Director General of the Ministry of National Economy, the Director of the Sureté, the head of the Contentieux d'Etat from the Ministry of Justice, and the Director of the Boycott Bureau, will be established to interpret boycott rules and to make recommendations by majority vote concerning their implementation

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within a period of ten days. The carrying-out of the recommendations will be in the hands of the Minister of National Economy, who will continue to report on boycott matters in the Council of Ministers.

This decree, when promulgated, will have the effect of (a) curbing Boycott Bureau Director HALLAQ's now practically unlimited power and (b) removing the confessional element from the problem, at least for the time being, by bringing about reorganization without invoking the Gemayel Plan. (LCT)

FINANCE

6. Warnings of GOL Budget Deficits by 1965 (BER 19) - UNCLASSIFIED

Several warnings, in newspaper articles and in private conversations, that the Government will be confronted with budgetary deficits by 1965 have come to the attention of the Embassy recently. They predict that continuation of present trends wherein expenditures are increasing at a faster rate than revenues could lead to a severe crisis by 1965.

COMMENT - UNCLASSIFIED: The Ministry of Finance has been studying this problem and is now proposing 1) to increase revenues from present taxes by adjusting rates upward but at the same time making the tax structure more equitable, 2) to tap new sources by new taxes and 3) to improve collection of taxes by closing loopholes and by better enforcement. Already one of the leading businessmen has demanded the abolition of the progressive corporate income tax and its substitution by reduced, fixed taxes on corporations. (JHA)

ECONOMIC DEVELOPMENT

7. Large Thermoelectric Plant to be Constructed at Jiyeh - UNCLASSIFIED

The GOL's Office of Electricity is planning to construct a large oil-fired thermoelectric plant of 120,000 KW capacity (2 units of 60,000 KW) at Jiyeh, located south of Beirut between Damour and Sidon. The cost of this power plant is about LL 45 million ($15 million). Well-known large manufacturers of electric power generating equipment including Allis Chalmers, General Electric and Westinghouse have been asked to submit their proposals in January 1963. The Office of Electricity hopes to award the contract before the summer of 1963 so that the plant will be ready to generate power in 1966.

COMMENT - UNCLASSIFIED: With electricity consumption doubling every four years, the Office of Electricity has found it necessary to augment sources of firm power. In the process of building large power plants to generate electricity economically, the Office of Electricity, which formerly served the city of Beirut, is expanding its franchised territory by taking over smaller utility companies. The GOL will soon have under consideration a bill which would empower the Office of Electricity to absorb all electric utility companies in Lebanon whose concession or franchise has expired. (JHA)

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8. LL 85 million for Litani Project Approved (BER 22) - UNCLASSIFIED

The National Litani Office's (NLO) request for LL 85 million ($28.3 million) has been approved by the Government. The statement by Joseph NAJJAR, member of the NLO Board (which was carried by most of the Beirut dailies) that without additional funds the Litani project would come to a halt within one month apparently forced the Government to take prompt action. The bill authorizing this sum for the NLO will now be presented to Parliament.

According to the NLO, this sum will permit it 1) to build the Karoun dam to its completion height of 58 meters, 2) to construct the diversion dam below the Markabi power plant, 3) to finish the 16 km Awali tunnel, 4) to complete the Awali power plant, and 5) to draw up engineering design for the Khadali dam to be located further downstream from the Markabi power plant. Irrigation works associated with the project will require additional funds in the future. (JHA)

9. BCAIF/AID Loan Disbursements (BER 23) - UNCLASSIFIED

Banque de Credit Agricole, Industriel et Foncier (BCAIF) disbursed $42,340.00 during the month of November 1962. BCAIF's total cumulative disbursements as of November 31, 1962 now amount to $2,629,421.98. SIDEM's account remains unchanged from the reported previous total. (SN)

FOREIGN AID

10. First Shipment of Medical Equipment Donated by Russian Orthodox Church Arrives (1960 BER 23) - UNCLASSIFIED

According to the Arabic daily An Nahar of December 4, a ceremony took place the previous day at the St. George Hospital on the occasion of the arrival of the first shipment of 600-700 boxes of medical equipment donated by Russian Orthodox Patriarch to this hospital. The ceremony was attended by Archbishop Elia SALEEBY, Metropolitan of Beirut, Bishop LEONTY, representing the Russian Patriarchate to the Antioch See, a representative of the USSR Embassy, other Orthodox clergy, members of the Orthodox Community Committee in Beirut, the Building Committee, and the Women's Association of the hospital.

In a speech Archbishop Saleeby is said to have expressed thanks to Patriarch ALEXEI for his gift which will make St. George Hospital one of the largest and best equipped in the area. In reply, Bishop Leonty announced that the Russian Patriarchate is determined to continue its assistance to complete this hospital.

COMMENT - LIMITED OFFICIAL USE: Unpublicized was the gift by the Russian Patriarch of laboratory equipment to an Orthodox girls' secondary school, Zahrt el-Ihsaan, located in the Ashrafieh section of Beirut according to one prominent Orthodox layman.

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The gift of medical equipment to St. George Hospital was made during the summer of 1960, and according to the same layman, without any conditions attached. He, however, fears that by accepting this gift valued at LL 7 million ($2.3 million) the Orthodox clergy in Lebanon is implicitly agreeing to future cooperation with the Russian Church and to a non-critical attitude toward the Soviet Union and its policies. (JHA)

LABOR

11. New Industrial Work Force, Capital Investment Statistics - UNCLASSIFIED

According to new figures released by the Ministry of National Economy, there are 507 fewer factories in Lebanon in 1962 than in 1961. Nevertheless, the number of industrial workers has increased from 56, 506in1961 to 59,523, a net gain of 3017 employed persons. Capital investment rose from a 1961 level of LL 528,207,000 to LL 640,835,000 for the current year.

The above figures represent projections of the Industrial Census, originally made in 1955, which the Ministry attempts to bring up to date each year. The data on factories apply only to those employing five or more workers thus necessarily excluding many family-sized operations which abound in Lebanon.

COMMENT - LIMITED OFFICIAL USE: An official at the Ministry told an Embassy employee in confidence that Minister Rafiq NAJA was displeased over the release of these figures because of the inferior method of arriving at meaningful projections of the admittedly inadequate 1955 Industrial Census. Since these are the only data available, it is being transmitted to the Department as one means of indicating what may be a trend in Lebanon's slowly expanding industry. (HDS)

12. Asad Rajeh Visits Lebanon - OFFICIAL USE ONLY

Mohamed Asad RAJEH, Secretary-General of the Cairo-based Confederation of Arab Trade Unions (CATU), paid an eight-day visit to Lebanon's two CATU affiliates ending on December 3. Although he met with leaders from the other two licensed federations, both of which are affiliated with the International Confederation of Free Trade Unions (ICFTU), most of his time was spent with the Federation of Independent Trade Unions (FITU) and the Federation of Unions of North Lebanon (FUNL). Although accompanied by the newly assigned UAR Labor Counselor, Abdel Rahman FARID, on his Beirut visits, he refused to allow Farid to go with him to Tripoli for his two-day stay there with the FUNL.

COMMENT - OFFICIAL USE ONLY: At his meeting with the Labor Attache, arranged by Farid, Rajeh declared himself in favor of: 1) FITU's affiliation with the Confederation of Lebanese Labor (CLL), 2) affiliation of the Egyptian metal workers and railway workers with the appropriate Free World international trade secretariats, and 3) an exchange of visits between US and Egyptian trade union leaders.

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Rajeh's support for a unified non-Communist confederation in Lebanon was welcomed by FITU President Nabil GHOSN, who has been seeking a formula for leading the FITU into the CLL. Rajeh's views on Egyptian-US trade union leaders' exchange have been voiced before, as has his approval of Egyptian unions' affiliation with the international trade secretariats. (HDS)

13. IFPAAW Secretary Visits Lebanon - OFFICIAL USE ONLY

Tom S. BAVIN, English-born Secretary-General of the International Federation of Plantation, Agricultural and Allied Workers, was the weekend guest of the Labor Attache. Mr. Bavin is returning to his headquarters in Geneva after an Asian tour which took him to Tokyo for the ICFTU's Asian Regional Organization's Congress. From Lebanon, he proceeded to Israel for a visit to the IFPAAW affiliate there. (HDS)

14. Three Workers' Education Seminars Planned - UNCLASSIFIED

After several years of total neglect, Lebanon's trade unions have announced plans for two workers' education seminars, while the Ministry of Labor and Social Affairs intends to hold one on labor-management relations with the assistance of ILO experts. Enzo FRISCO, ICFTU Regional Representative, will conduct one for Maji'at and United Unions of Employees and Workers (UUEW) members, and a separate one will be led by the FITU's Nabil Ghosn. Only the FITU has thus far announced firm dates for its seminar, January 2-16.

COMMENT - OFFICIAL USE ONLY: Frisco is encountering several problems in obtaining the agreement of UUEW President Gabriel KHOURY for the courses to be included. To lessen this pressure, Frisco has accepted the Labor Attache's suggestion that a four-man UUEW-Jami'at committee be formed to decide upon the course content. (HDS)

AGRICULTURE

15. Rainfall - UNCLASSIFIED

The first appreciable rainfall in Lebanon since last October occurred on December 5. Total cumulative rainfall between September 1 and December 5 inclusive totaled 150 mm in Beirut (71% of normal) and 57 mm in Ksara in the Beka'a valley (53% of normal).

Additional precipitation is still needed for the farmers to prepare their lands for sowing wheat and barley. Continuation of the dry weather would be most serious, especially for the subsistence farmers, and could ultimately lead to a GOL request for PL 480, Title II assistance. (DIM)

16. Importation of Russian Wheat (BER 10) - OFFICIAL USE ONLY

Lebanon has imported to date this year 7,500 metric tons of Russian wheat in exchange for Lebanese fruit. The local flour mills are being billed $67.00 a metric ton, C and F for the FAQ (fair average quality) hard red winter wheat. U.S. wheat of the same quality would be about $73 a metric ton in Beirut.

Discussions are reportedly being held for an additional barter deal for 5,000 metric tons of Russian wheat and Lebanese fruit. (DIM)

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DOMESTIC BUSINESS

17. New Todd-AO 70 mm Cinema Opens in Beirut - UNCLASSIFIED

With the opening of the new Saroulla Cinema on Rue Hamra on December 1, Beirut now has seventeen first-run movie theaters, three of which are equipped for the expensive 70 mm film. Lebanon possesses 180 cinema houses, which is a very large figure by comparison to surrounding countries and to population. The exhibitors are now beginning to feel a double pinch, i.e.; too many first run houses and competition from TV. TV competition has dropped receipts by at least 25 percent this year, particularly in the Arabic-speaking cinemas, whose clientele is being wooed away by TV. Various guesstimates on net proceeds to the US vary, but a fair figure would seem to be at least $750,000 per year. (JCW)

COMMERCIAL OFFICE

18. American Business Visitors - UNCLASSIFIED

The log of the Commercial Office shows that 26 Americans and representatives of American companies conferred with the Embassy between November 21 and December 6. Among these were Mr. Allen B. Crow, Founder of Economic Club of Detroit, Michigan; Mr. Donald B. Calder, Economic Counselor, US Embassy, Amman; Mr. Eli E. Nobleman, staff member of US Senate Committee on Government Operations, Washington, D.C.; Mr. John R. Mapel, Johnston Pump Company, Pasadena, California; and Mr. Pano A. Alafouzo, Middle East Director, United Artists. (JCW)

For the Ambassador:

Evan M. Wilson
Counselor of Embassy

Contributors:

LCTihany, JHAshida, DLMacDonald, SNahas, HDSnell, JCWeisert.

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By PT NARA Date 7/23/04

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DEPARTMENT OF STATE

Memorandum of Conversation

(38)

DATE: December 12, 1962

SUBJECT: Israel Offer to Assist Lebanon in Obtaining AID Loan

PARTICIPANTS: Mr. Edmond Awad, Economic Counselor, Embassy of Lebanon
(1)
NE/E - Slator C. Blackiston, Jr.

COPIES TO: NEA - 1
NE - 2
NE/E - 2
AmEmbassy BEIRUT (1 cc)
AmEmbassy TEL AVIV (1 cc)

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Following a conversation on another subject, Mr. Blackiston remarked to Mr. Awad that Mr. Adin Talbar (Israel Economic Counselor) had expressed to him his pleasure at having had a chat with Mr. Awad at a recent African Embassy reception.

Mr. Awad replied that he had indeed had a chat with Mr. Talbar and that "five minutes of conversation had not elapsed" before Mr. Talbar suggested that the Israel-Lebanon borders be opened so that Israel tourists could come to Lebanon. Mr. Talbar said that if this took place, "we will get you an AID loan."

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By PT NARA Date 7/23/04

ORIGIN/ACTION

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L	FBO	AID
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AGR	COM	FRB
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INT	LAB	TAR
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TR	XMB	AIR
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ARMY	CIA	NAVY
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OSD	USIA	NSA
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DEPARTMENT OF STATE

AIRGRAM

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A-589 NO. | CONFIDENTIAL | AIR POUCH HANDLING INDICATOR

1962 DEC 24 PM

TO : DEPARTMENT OF STATE

INFO : ADDIS ABABA, AMMAN, ANKARA, BAGHDAD, CAIRO, DAMASCUS, JIDDA, TEL AVIV, TRIPOLI, BRUSSELS (for USEC), LONDON, NEW DELHI, TOKYO

ANALYSIS & DISTRIBUTION BRANCH

FROM : AMEMBASSY BEIRUT

DATE:

SUBJECT : Biweekly Economic Review No. 26, Lebanon - Period ending Dec. 20, '62

REF : CERP Section C, Item 3, Airgram No. 548, December 8, 1962.

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PETROLEUM
20. Tapline Repairs Leak
COMMERCIAL OFFICE
21. American Business Visitors

1. HIGHLIGHTS - UNCLASSIFIED

The perennial problem of adequate customs protection for the Lebanese textile industry once again raised its head as mill owners threatened to discharge what they considered excess employees. Discussions on the possible sale of US surplus agricultural grains to Lebanon have thus far had only limited success. In a public address the Managing Director of MEA has called for a single Lebanese passenger airline. Strong criticisms of the proposed new banking law are being expressed, particularly by small banks.

The dollar rate which has been fluctuating at the LP 303-5 level for the past three to four weeks rose to LP 308-9 a few days ago and then settled back to LP 307. The generally strong upward trend for the dollar is ascribed by bankers to (1) slackening of capital inflow into Lebanon because of general political instability in the area, (2) shifting by rich foreign Arabs of their investments from Lebanon to Switzerland and elsewhere, (3) competition of attractive rates offered by banks in Japan and the EEC countries for yearend window dressing purposes, (4) profit taking on past appreciation of the Lebanese pound by rich foreign Arabs who feel that the Lebanese pound may be depreciating, and (5) increased commercial demand for dollars, particularly by automobile importers. Meanwhile, the note issue as of December 15 was still LL 464 million, unchanged for the past two months.

While the rainy weather has been welcome, it has served to delay somewhat the Christmas shopping season. Merchants are, however, very optimistic over the prospects for holiday sales. Buyers are demanding better quality merchandise, especially those bearing well-known trademarks.

The Italian tourism mission has submitted its final report to the Lebanese National Council of Tourism. According to the press two of the more interesting points raised in this report include (1) the establishing of a big shipping company for the purpose of channelling tourists to the Middle East and the Holy Land from Italy and (2) the proposal of a pilot project by the Italians, who will presumably equip a resort area with the latest facilities for attracting tourists. Also on the touristic front, on December 15 a German baloon loaded with motion picture camera equipment and operator flew over Lebanon for six hours photographing the country's scenic spots. This project is the result of collaboration between Mr. George THIESS, independent German movie producer, and the National Council of Tourism. (JHA)

ECONOMIC RELATIONS

2. Codel Gruening Visits Beirut - UNCLASSIFIED

Senator Ernest GRUENING of Alaska, accompanied by Mrs. Gruening,

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Legislative Assistant Herbert W. BEASER and DOD escort officer Lt. Col. Harry J. SALSBURY, visited Beirut from December 18 to 21. The purpose of the Codel visit was to study problems of economic and military assistance.

COMMENT - LIMITED OFFICIAL USE

The Codel was given a two-hour briefing by the Ambassador, assisted by the Army Attache, the USAID/L Liaison Officer, and the Chief Economic Officer. At the Codel's request the Ambassador spoke at length on the Palestine problem and also on the UNRWA program, in addition to economic and military assistance. A second briefing was provided at AUB by Vice President Archie CRAWFORD and the USAID Regional Training Officer in the course of which the Senator and Mr. Beaser asked searching questions about the USAID-AUB contract concerning the third country training program.

The Codel was taken to the Beirut Port Free Zone, since Senator Gruening stated that he was interested in organizing and establishing a free zone in the port at Anchorage.

On the last day a visit to the Lebanese Chamber of Deputies was substituted for a call on Prime Minister KARAME since the Government was in mourning over the death of former Prime Minister Abdullah BEYHOUM. On the final evening of the visit all members of the Codel were guests of honor at a dinner given at the Residence by Ambassador and Mrs. Meyer, where they met leading members of the Beirut economic community, American and Lebanese. On the morning of their departure for Amman the Codel was seen off at the airport by the Ambassador and senior members of his staff. The Codel left Beirut after expressing its appreciation for and satisfaction with the visit. (LCT)

3. Preparations for EEC-Lebanon Negotiations - UNCLASSIFIED

Lebanese Ambassador to Brussels, Najib SADAKA, has been recalled to Lebanon and will arrive in Beirut on January 3 for consultations regarding future EEC-Lebanese ties. Minister of Planning Osman DANA announced on December 18 that Lebanon "must try to force entry into this powerful organization (the EEC) through securing full membership."

COMMENT - CONFIDENTIAL: Dana, a Sunni Moslem, is a self-styled candidate for the premiership. His espousal of the cause of an EEC-Lebanon affiliation, even if it is based on insufficient knowledge of the problem, indicates progress made here recently by the EEC concept and its importance for the area. Lebanese economic expert Paul KLAT, who recently returned from Brussels, has informed the Embassy that the first encounter between Lebanese and EEC representatives in Brussels was only for the purpose of "soundings" and that he and Ambassador Sadaka will return to Brussels early in the new year to open formal negotiations with the EEC. The purpose of these negotiations will be to conclude a trade and technical assistance agreement with the EEC as a unit. There is, and there can be, no question of Lebanon's becoming a "full member" in EEC or "forcing entry" into it. (LCT)

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4. Lebanese Fruit for Africa - UNCLASSIFIED

A three-man delegation of the Lebanese Fruit Office returned to Beirut after surveying export markets for Lebanese fruit from Morocco to Cameroon. They said a market for Lebanese apples and to a lesser extent for citrus fruit could be developed gradually, especially in northwestern Africa (Morocco to Sierra Leone). At present, this market could absorb at most 300-400 tons per month. The presence of Lebanese merchants in these countries would provide an entering wedge into these markets.

They discovered that there was a lack of sufficient cold storage facilities at present in most of the countries. They felt that a direct shipping line with refrigerated storage facilities would be necessary to enable Lebanese fruit to reach its destination in good condition.

Lebanese fruits, they learned, were about 10-12 percent higher on the average than competing fruit from other countries.

COMMENT - OFFICIAL USE ONLY: The Embassy is under the impression that the Lebanese fruit growers are trying to obtain governmental assistance for the export of their fruits to Africa by (1) encouraging government participation in a Beirut-Africa direct shipping line and (2) by having the government start a system of export subsidies to move surplus fruit to new foreign markets. (JHA)

5. Indian Trade Mission - UNCLASSIFIED

An Indian trade mission composed of six merchants arrived in Beirut on December 19 and will stay in Lebanon until December 26. They are conducting talks with leading local businessmen and government officials and are particularly anxious to expand their market in Lebanon for Indian manufactured rubber and rubber products. Their mission is primarily that of educating the Lebanese about Indian products since most Lebanese merchants invariably look to Europe and the U.S. for manufactured products. (JHA)

LABOR

6. AUB Settlement - UNCLASSIFIED

The three-year old dispute between the American University of Beirut and its 1200 non-professional employees and workers ended with the signing of an agreement on November 29. All outstanding issues were disposed of including filling vacancies from within, job evaluations, eleven paid holidays, improved annual leave and a grievance committee.

COMMENT - OFFICIAL USE ONLY: It now appears that the present officers of the AUB Employees Union have the support of their rank and file as a result of this favorable contract. On the AUB side, Director of Personnel Paul ARNOLD is responsible for having patiently guided these negotiations to a successful conclusion. (HDS)

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7. Mobil Oil Dispute - OFFICIAL USE ONLY

Another long-standing issue, the application of a 3 percent annual pay increase, is currently under negotiations between Mobil Oil of Lebanon and its Workers Union. In addition to the "automatic" increase, the Union at first asked for thirteen months' pay for twelve months' work and doubling the statutory family allowances. Most recently these demands have been scaled down to an immediate 11 percent wage increase and the guarantee of a 3 percent annual increase for ten years. Mobil has countered with an immediate 4 percent increase and an additional three pay grades within each wage classification.

COMMENT - OFFICIAL USE ONLY: The dispute dates back to 1956, at which time the white collar Mobil Oil Employees Union was granted the 3 percent automatic annual increase. Since then the Mobil Oil Workers Union has been demanding this same benefit, but the Company, as a matter of higher policy, refuses to grant it and has sought some method for prevailing upon the Employees Union to abandon it. What appeared to be a serious situation now seems to have settled down to genuine negotiations on a more realistic basis. (HDS)

8. Another Textile "Crisis" - UNCLASSIFIED

As on previous occasions, Lebanon's textile mill owners are petitioning the government to impose higher duties on imported textiles. Once again they are using the Textile Workers Union to help fight their case under the threat of mass dismissals. The Union, supported by the parent United Unions of Employees and Workers (UUEW), has sent delegations to President CHEHAB, Prime Minister KARAME and others to plea for additional protection for its employers.

COMMENT - OFFICIAL USE ONLY: While not going so far as to threaten a sympathy strike with the Textile Workers, the UUEW is seeking to leave the impression that the entire trade union movement will go that far if the dismissals occur. The controversy sparked quite a discussion in ministerial circles with Interior Minister Kamal JUMBLATT accusing the mill owners of reaping fantastic profits. It appears likely that the textile mill owners once more will fail to gain their objective because of the overwhelming opposition of the merchants and importers. (HDS)

AVIATION

9. MEA Manager Calls for One Lebanese Passenger Airline - UNCLASSIFIED

Lecturing to an audience of about 500 persons at the AUB Alumni Club on December 13, Sheikh Najib ALAMUDDINE, Chairman and General Manager of Middle East Airlines, spoke out strongly for one strong efficient passenger airline to replace the four that Lebanon now has and for "the formulation and issue of an official air transport policy."

Sheikh Najib observed that if all other Arab countries can support only one airline apiece (and these, for the most part, subsidized), and if the airlines of Western European countries and Latin America are finding it necessary to meet competition, it behooves Lebanon's five private airlines to begin now to draw together to eliminate duplication and waste and to unify their efforts.

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With respect to GOL air transport policy, Sheikh Najib emphasized that he did not advocate participation of the Lebanese Government in the air transport industry. Observing, however, that the Lebanese aviation indsutry, which employs some 3500 Lebanese at well-above average salaries, is the largest industry in Lebanon, he urged that Lebanon's liberal policy with respect to foreign air carriers, traffic rights at Beirut "should be controlled and directed and based on reciprocal benefits."

COMMENT - OFFICIAL USE ONLY: Sheikh Najib's lecture, which the Embassy will report upon separately in greater detail, expressed Sheikh Najib's concepts of the ideal airline structure for Lebanon: one strong MEA-managed Lebanese airline, financially supported by a strong foreign affiliate (e.g., Pan American World Airways) which would, in turn, reap the benefits of MEA-feeder traffic and virtually unlimited Beirut traffic rights. The value of the latter would be enhanced by being restricted as to all other foreign airlines. (JHE)

10. Lebanese Airline (LAT) to Manage Kuwaiti Airline (TAA) - UNCLASSIFIED

Sheikh Duaij Al Salman Al SABAH, owner of Trans Arabian Airways, has announced in Beirut that effective December 12 the general management of his airline was entrusted to Messrs. Marouf and Ibrahim SHAAR. The latter are owners and managers of the Lebanese Air Transport Company, Lebanon's newest and smallest airline.

COMMENT - OFFICIAL USE ONLY: The importance of this announcement cannot be evaluated without further details which Marouf Shaar has assured the Embassy he will furnish within a few days. Thus far he has said only that he will replace Boulos FARAH (heretofore the Beirut agent of Sheikh Duaih) and Robert GIBSON (Australian Manager of TAA). (JHE)

AGRICULTURE

11. Discussions on Sales of U.S. Surplus Agricultural Products - OFFICIAL USE ONLY

During the past week, Lebanese and US officials have been negotiating the purchase by Lebanon from CCC ship-stored stocks of Northern Spring wheat at a concessional price in order to assist the local mills compete with imports of low priced West German and Finnish flour. Negotiations were suspended when the Lebanese Flour Mill Syndicate made an offer of $52.00 per metric ton FOB Atlantic ports, which was $7.50 per ton under what the US representative was able to quote. The Syndicate based their offer on the premise that the new Australian wheat crop, which is being bought at $67.50 C & F Beirut, would give it a 10 percent extraction rate, higher than for US Northern Spring. Over 96,000 metric tons of this wheat have been imported during the first ten months of 1962.

Some of the trade have shown interest in CCC credit because its interest costs are lower than those in Lebanon. This saving could be used by the importer to apply against the higher ocean freight costs from the U.S. One Lebanese trader

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made a request for this credit through a U.S. exporter and the application has been approved by CCC for 2,000 metric tons of corn and 10,000 metric tons of wheat.

BCAIF, a semi-government bank, has shown a keen interest in the long term low interest provisions of P.L. 480, Title IV, particularly to its new provision which would permit an agreement with a financial institution like BCAIF. No formal request has been made by BCAIF to the Embassy.

COMMENT - OFFICIAL USE ONLY: On the cash sale of shipstored wheat, it is possible a higher offer will be made by the Syndicate, especially if the Syndicate uses the 5 percent extraction rate on US wheat as it has with Australian wheat. Then, the Syndicate could offer as much as $56.50 FOB Atlantic ports.

The CCC credit sales for wheat will be contingent on the outcome of the special shipstored sale. If this special sale is completed, the local importer cannot afford to import wheat at the higher price. The corn part of the transaction could be completed if ocean freight can be kept low. If the special sale does not go through, CCC credit could provide the incentive for the import of limited quantities of US high protein wheats.

The Title IV program will be influenced by the special cash sale. If this sale is not completed, the Syndicate may be expected to oppose the requirement of having to purchase higher priced US wheat under Title IV, unless the GOL raises the price of bread or subsidizes the mills. It is doubtful that GOL would permit either action. (DLM)

12. More Rainfall - UNCLASSIFIED

Lebanon continued having heavier than average rainfall. In Beirut the cumulative (beginning September 1) total on December 19 was 15.2 inches which may be compared with 6.8 inches in 1961 and an average of 10.6 inches. Due to its severity, much of the rainfall did not penetrate the soil, but disappeared as runoff.

In the Bekaa valley, the station at Ksara reported a cumulative total of 9.5 inches. For the same period last year, the precipitation was 6.4 inches, while the average is 6.0. Runoff is reported to have been much less than in Beirut. (DLM)

FINANCE

13. Initial Reaction to Public Release of New Banking Law (BER 22) - UNCLASSIFIED

The Lebanese Bankers Association has circulated to its members as an attachment to a letter dated December 7, Title III on Bank Regulations (Articles 121-191) of the proposed banking law and asked them to submit comments in writing to the Association by December 25. Subsequently, the entire text of the draft law has been released to the public.

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As anticipated there were some strong reactions to the bill from Lebanese bankers who having heretofore enjoyed complete freedom to do what they wish were not exactly enthusiastic with what they saw. Although they knew that the draft law was being prepared, they somehow had hoped it would be restrictive to a minimal degree. Some of the principal points of objections being mentioned are as follows:

1. Definition of short-term credit was claimed to be unduly restrictive. The maximum period should be extended to two years from one year as stipulated in the bill.

2. Forcing the banks to specialize in one of the fields of banking is disastrous especially for the small banks. Moreover, they would be compelled under the new law to give up their investments in industries, real estate and commercial enterprises. They (about 40 banks) would close their doors in protest if the law were ever promulgated.

3. Bank secrecy would be comprised by auditors, who it is claimed could easily be tempted to disclose banking information for a financial consideration.

4. Most felt that the Governor of the proposed central bank had too much power with no apparent checks on his authority.

5. The consensus is that the law while suitable for a developed country like the U.S. is too ambitious for Lebanon. (JHA)

14. 1963 Lebanese National Budget Approved by Parliamentary Finance Committee (BER 19) (UNCLASSIFIED)

The Parliamentary Finance Committee approved the GOL's 1963 Lebanese national budget, which has now been referred to the whole house for enactment. The budget bill calls for Ordinary State Budget appropriations of LL 423.9 million ($141.3 million) and appropriations of LL 45.9 million ($15.3 million) for the four autonomous offices. Total 1963 budget appropriations of LL 496.8 million ($156.6 million) indicate an increase of about 10.6 percent over the 1962 total of LL 415.8 million ($138.6 million). The Ordinary State Budget appropriations are expected to be financed as follows: direct taxes - LL 107.5 million (32.5 million), indirect taxes - LL 188.2 million ($62.7 million), income from state property - LL 11.1 million ($3.7 million), miscellaneous receipts LL 54.4 million ($18.1 million) and withdrawals from the Reserve Fund - LL 62.7 million ($20.9 million). Appropriate comments on the budget will be forwarded in a separate airgram after Parliament has approved the budget. (JHA)

15. Lebanon Requests Services of IBRD Expert - UNCLASSIFIED

According to press reports, the Ministry of Planning has requested the services of an IBRD expert on development banking. The expert's

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assistance is required in drafting a new development banking law.

Comment: (OFFICIAL USE ONLY) For some years the Lebanese Government has been considering a project for a new development bank. Maurice GEMAYEL as Minister of State in the Saeb SALAAM Cabinet in 1960-61 supported the project. Also, Dr. Talha YAFFI, Managing Director of BCAIF, has had more than passing academic interest in the proposed development bank.

In the present KARAME Government, the Minister of Planning, Osman DANA, has supported the project with assistance from the French IRFED mission. A bill for establishing the bank was drafted, but it apparently was not satisfactory to several quarters. Some of the critics also strongly felt that the entire field of long-term lending needed to be thoroughly reviewed before another institution could be established. The expert, presumably, would be called upon to do just this in spite of reported objections by the IRFED mission to call in an outside expert. (JHA)

TECHNICAL ASSISTANCE

16. U.N. Assistance for Forestry Education, Training and Research Project - UNCLASSIFIED

On December 3, a Forestry Education, Training and Research Project was signed by representatives of the Government of Lebanon and the UN's Food and Agricultural Organization, acting as the Executing Agency for the UN Special Fund. The purpose of the project is to assist the Government in the formulation and implementation of a plan for the development and rehabilitation of the Lebanese highlands, and, at the same time, to undertake a program of training and research which will ensure that the Lebanese are taught modern techniques of reforestation, watershed management and associated work applicable throughout Lebanon. A forestry center will be established near Beirut as part of the Department of Forests and Natural Resources of the Ministry of Agriculture. This project will also assist the Government of Lebanon in the early stages of its "Green Plan" project for forestry development and, in particular, provided guidelines for the "Green Plan" and training for the Lebanese staff who will be charged with implementing it.

This 4½ year project will cost about $2,323,000 - $888,000 from the UN Special Fund and $1,435,000 from the GOL.

COMMENT - UNCLASSIFIED: The "Green Plan" project is still under study by the Council of Ministers. Press reports indicate that the cost of the project will be about LL 300 million ($100 million). (JHA)

17. UN Special Fund to Conduct Five Year Groundwater Survey - UNCLASSIFIED (BER 12 - 1961)

On December 11, representatives of the Government of Lebanon and the UN Special Fund signed a five-year $2,093,400 groundwater survey agreement.

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The cost of the survey is to be shared by the GOL and the UN Special Fund as follows: UN Special Fund - $777,900 and GOL - $324,000 in cash and $991,500 in personnel, equipment and supplies. The purpose of this project is to locate by special surveys, to explore and to inventory, by physical measures such as drilling, other construction works and pilot tests, the groundwater in some of the principal areas of the country, and at the same time, to facilitate the establishment, organization and development of the Groundwater Department in the Directorate General of Hydraulic and Electric Equipment of the Ministry of Public Works. All these surveys and operations are expected to make an important contribution to the preparation of the country's hydraulic balance sheet, the implementation of a national water policy and the perfecting of methods and techniques of groundwater development for the supply of water for drinking, industrial purposes and irrigation.

COMMENT - UNCLASSIFIED: The signing of this project agreement, although delayed, was anticipated since a preliminary survey of groundwater resources in the spring of 1961 had indicated that the complex geology of Lebanon required a more detailed study. (JHA)

ECONOMIC DEVELOPMENT

18. Two Artificial Lakes Proposed (BER 24 and BER 32,1960) (UNCLASSIFIED)

As part of its program to increase availability of water to the villages, the Ministry of Public Works has proposed and the Cabinet has recently approved the creation of two artificial lakes, one at Marj el-Khail in the Akkar area and the other at Dahr el-Daraja in the Jezzin district. In both areas runoff rain water will be stored behind small dams for use during the dry season.

The artificial lake at Marj el-Khail will store 260,000 cubic meters of water, and have an area of about 100,000 square meters. The retaining dam will have a maximum height of 10 meters and a length of 280 meters. This lake is estimated to cost LL 240,000 ($80,000) and irrigate some 240 hectares of land yielding an income of LL 270,000 ($90.00).

The second lake, situated in a natural depression just above the village of Kfar-Houneh, will have a capacity of 1,200,000 cubic meters. Its estimated cost, including the price of expropriated land, is LL 680,000 ($227,000). Some 54 villages can be supplied with drinking water from this lake.

COMMENT - UNCLASSIFIED: If the ground can hold the water, these artificial lakes should help Lebanon to utilize more of the largely unused seven billion cubic meters that it receives annually in the form of precipitation. More importantly, such lakes by providing needed water could assist depressed mountain areas to regain their economic health. (JHA)

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TRADE FAIR

19. Japan Industry Floating Fair

Japan's Fourth Industrial Floating Fair, the "Sakura Maru" visited Beirut between December 7 and 14. The ship being specially built for the purpose displayed 430 stands representing 20,000 different products. Electrical appliances received the most interest. Some 120 officials of Japanese companies are accompanying the Fair during its three month tour.

COMMENT - UNCLASSIFIED: Promotion of the Fair before and during its stay here was poor. There was a lot of confusion in the distribution of tickets to the public. In spite of these shortcomings, the general impression on the public was very good: the ship was excellent and the displays were perfect. Attendance was approximately between 13,000 and 15,000. A detailed airgram will follow when evaluation of the ships impact on the Lebanese market is completed. (SN)

PETROLEUM

20. Tapline Repairs Leak - UNCLASSIFIED

A small pipeline leak at Zifta, about 10 kilometers inland from Tapline's terminal facilities at Zahrane, became noticeable on the surface of the ground on Friday, December 14. A repair crew, which was despatched to Zifta last Friday, completed repairs on the morning of December 17. While repair work was underway, the company temporarily lowered pumping pressures through the sector being repaired. Altogether not more than 100 barrels of crude petroleum reportedly leaked out. (JHA)

COMMERCIAL OFFICE

21. American Business Visitors

The log of the Commercial Office shows that seven Americans and representatives of American companies conferred with the Embassy between December 6 and December 20, among whom were Mr. Joseph M. Namphy, Saga Food Service, Inc of California; Mr. Thomas Mabry, President of Engineering Equipment Company, Chicago, Illinois; Mr. William G. Brickley, Area Director, Motorola Overseas Corporation, Chicago, Illinois; Captain W. C. Eddy, President, Television Associates of Indiana, Inc., Michigan City, Indiana. (SN)

For the Ambassador:

Evan M. Wilson
Counselor of Embassy

Contributors:
LCTihany, JHAshida, JHEnnis, DIMacDonald, SNahas, HDSnell.

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1. HIGHLIGHTS - UNCLASSIFIED

The year 1962 ended on an optimistic note with most merchants reporting holiday sales that compared favorably with the previous year.

The 1962 national budget bill, which had been submitted to Parliament, came under strong attack by Opposition leader Raymond EDDE. Public works expenditures by the Ministry of Public Works during 1962 reportedly totaled LL 128.6 million ($42.9 million) or 2.4 times the amount in 1961.

A compromise appears to be in the making on the controversial banking bill. The President has promulgated a law granting a loan of LL 5.5 million ($1.8 million) to the Council of Money and Credit to construct the new central bank building. Mr. Pierre EDDE, President of the Lebanese Bankers Association, has publicly stated that the new central bank should be located on Riad Solh Street, Beirut's banking row, rather than in the Arts and Metiers district as mentioned in the press earlier.

The strike by the BSL's Commercial Department employees is reportedly near settlement. The Iraq Petroleum Company has agreed to postpone dismissals of its excess employees pending a Government-assisted solution.

Two American companies have opened a depot for their construction equipment in the Tripoli Free Zone. The Council of Ministers has approved in principle the establishment of a Lebanese steamship company to facilitate exports of Lebanese fruits to African markets. (JHA)

FINANCE

2. Compromise Sought on Banking Law - UNCLASSIFIED (BER 26)

According to an official news agency announcement, the Prime Minister has sent the draft banking legislation, after consulting with experts outside the government, to the C ouncil of Money and Credit (CMC), prior to submitting it to the Ministry of Finance and the Council of Ministers.

COMMENT - LIMITED OFFICIAL USE: The bill has evoked vehement opposition in private banking circles, and the Lebanese Bankers Association (LBA) has drafted a counter-bill. The report that the Prime Minister has sent the bill to the CMC, where it originated, rather than directly to the Ministry of Finance and to the Council of Ministers, may indicate that the GOL is seeking a compromise version to satisfy the opposition.

The Embassy is satisfied with the bill from the legal and financial points of view, but expects at least an initial shock to the economy if it becomes law and is enforced in the face of strong opposition. From the US point of view the proposed legislation, as it now stands, would not adversely affect the operations of the three American banks in Lebanon, but as regards export expansion and undisturbed economic stability, it may not fully coincide with our objectives.

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Amendments to disarm the opposition would remove the threat the bill now poses to economic stability. Article 229.1, as it now stands, seeks to establish a "real exchange rate" for the US dollar "as near as possible to the free market rate." If such a "real exchange rate" were established, the Lebanese importer would stop paying duty, as he now does, on only LL 2.21 worth of merchandise when he brings in LL 3.05 worth. The price of US goods would consequently rise in this highly price-conscious market.

A conversation with Paul KLAT, chief economic advisor to the Prime Minister, has confirmed that the CMC will shortly prepare an amended draft of the banking bill which will take into consideration some of the views of the opposition. According to Klat a compromise will be made on banking secrecy and on the payment of interest to private banks on deposits with the central bank. The CMC is still resisting the LBA's demand for representation on the Advisory Committee. (LCT)

3. Proposed 1963 Beirut Municipal Budget - UNCLASSIFIED (BER 9)

Mr. Amin BEYHUM, President of the Municipal Council of Beirut, announced to the press that the 1963 Beirut Municipality budget will total LL 49.3 million $16.4 million): LL 32.5 million ($10.8 million) for ordinary expenditures and LL 16.8 million ($5.6 million) for major capital improvements, which will be financed by the second drawdown of the Kuwaiti loan. There is, moreover, a carryover from the 1962 budget of LL 40.5 million ($13.5 million), which will be spent in 1963. Thus total 1963 expenditures of the Municipality of Beirut are expected to amount to LL 89.8 million ($29.9 million).

According to Beyhum, the Municipality is pressing for a LL 50 million ($16.7 million) grant from the national government to assist Beirut in carrying out the balance of its improvement program, whose cost is estimated at LL 250 million ($83.3 million). It has also requested the GOL's approval of a new Municipal tax bill so that it can shoulder its constantly increasing responsibilities. (JHA)

4. Beirut Stock Exchange Activity in 1962 - UNCLASSIFIED (BER 1-1962)

During calendar year 1962, a total of 213,467 shares valued at LL 27,256,000 ($9,085,000) was traded over the Beirut stock exchange. Trading activity was generally on the dull side until November 26, when the Land and Water Company shares were listed. These shares, whose opening price was LL 155, rose dramatically and closed at the yearend at LL 247, some LL 92 higher.

By comparison the 1961 figures were 545,029 shares valued at LL 71,767,000 ($23,922,000). The 1961 data were inflated by speculation in the Casino shares. (JHA)

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LABOR

5. Report BSL Strike Settlement Near - UNCLASSIFIED

Agreement is reported near in the dispute between the Banque de Syria et du Liban (BSL) and the Bank Employees Union which resulted in a strike of the Bank's Commercial Department employees on December 21. Union President Gabriel KHOURY informed the Labor Attache that he was reasonably certain that the BSL and the Government would agree to retain all the present employees of the Bank's Issue Department after the GOL establishes its new central bank in 1964. The union kept the employees of the BSL's Issue Department on the job at the request of President Fuad CHEHAB in order to maintain essential services. According to Khoury, an agreement is shortly to be worked out between the Bank and the Government to retain all of the present employees after 1964 and either to increase salaries or termination indemnities.

COMMENT - OFFICIAL USE ONLY: Although the strike has continued since December 21 and affects only the BSL's commercial transactions, its impact has been lessened because of the Christmas holidays. If the Union had pulled the employees of the Issue Department off the job, the commercial life of Lebanon would have been seriously endangered. A settlement along the lines suggested above would constitute another significant victory for the ambitious Khoury. (HDS)

6. IPC Agrees to Postpone Dismissals-UNCLASSIFIED (BER 23)

The Iraq Petroleum Company, long overburdened by excess staff, hoped to induce 400-odd employees to resign by offering extra benefits, amounting in some cases to three times the legal termination indemnities. By Christmas time fewer than 30 had accepted the company's offer. When IPC announced its intention to dismiss the others, the Federation of Unions in North Lebanon (FUNL) threatened a general strike in Tripoli and appealed to Prime Minister KARAME to intercede with the company. Responding to Karami's request, IPC announced the postponement of its order pending a Government-assisted solution.

COMMENT - OFFICIAL USE ONLY: The problem of redundant workers is not new to IPC but is accentuated by the company's dispersal of its clerical operations to Banias, Tartous and other points. IPC has succeeded in obtaining promises of employment with other firms for more than 200 of its excess staff, but the employees have been unwilling to accept these opportunities. (HDS)

7. Cabinet Approves Collective Agreement Law - UNCLASSIFIED

The first step in legalizing collective labor agreements was passed last week when the Council of Ministers approved a draft law on collective agreements. The measure now goes to Parliament and most likely will be referred to a committee for further action.

COMMENT - OFFICIAL USE ONLY: This legislation, proposed more than a year ago, passed its first hurdle because of the insistence of President Chehab.

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Whether it will suffer the fate of the Social Security Law by being referred from committee to committee in Parliament is yet to be determined. (HDS)

DOMESTIC BUSINESS

8. Christmas-New Year Sales in Beirut Retail Market - UNCLASSIFIED

Christmas-New Year sales, effected mostly during the last two weeks of last December, are reported in the local press to have attained the same high level as that of the preceding year, and to have exceeded it in the case of certain items. The total value of such sales was estimated by various businessmen for the press at approximately $350,000.

Inquiries made on the local market confirmed more or less the above estimate as far as the movement of the holiday retail market is concerned. It has not been possible, however, to obtain a reliable estimate of the total sales made during the above mentioned period in those sectors of the retail trade which covered mainly gift articles such as toys, novelties, children's, women's and men's wear, in addition to certain articles of home appliances, especially TV and radio sets. Leading business concerns consulted by the Embassy stated that business in general was not as good in 1962 as in 1961, and believed that sales of almost all items of trade were between 15 and 30 percent lower in 1962 than those of the preceding year. (HMA)

SHIPPING

9. Cabinet Approves Project for Establishing a Lebanese Steamship Company UNCLASSIFIED

At its meeting on January 2, the Council of Ministers approved a project providing for the formation of a Lebanese steamship company whose capital of LL 18 million ($6 million) will be represented by 360,000 shares with a nominal value of LL 50 ($16.70). The GOL's Fruit Office will reportedly subscribe to a third of the shares, while the remaining two-thirds are to be taken up by private interests. The object of this company is reportedly to facilitate the shipment of Lebanese fruit to foreign markets, in particular those in Africa.

COMMENT - OFFICIAL USE ONLY: Since 1960 the Embassy has stressed to GOL officials that the only way for Lebanese fruits to penetrate African markets is the establishment of direct shipping services between Lebanon and Africa. Since private interests have apparently been reluctant to finance such a venture themselves, the Government under President Chehab's prodding has agreed to participate jointly with private interests. The establishment of such a steamship company would not only facilitate exports of Lebanese fruit but also foster closer commercial and cultural exchange between Lebanon and Africa. (JHA)

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SHIPPING

10. Tripoli Free Zone Becomes Depot for Construction Equipment of American Firms - OFFICIAL USE ONLY

The Tripoli Free Zone has signed leases with two American companies: Morrison Knudsen Overseas and "Deep Well" Smith. Both firms will use the Free Zone leased areas for storage, maintenance and repair of their construction equipment. MKO has taken 8,500 square meters already and expects to have about 15,000 square meters on a semi-permanent basis at LL 3 (one dollar) per square meter per year. Unused construction equipment from Iran, Turkey and possibly Tunisia of MKO, its subsidiaries and associated companies will be stored and maintained in Tripoli. At present MKO is planning to employ three foreigners and about 10 Lebanese at the depot. The MKO representative stated that up to 50 Lebanese may be employed on occasions to recondition such equipment.

Upon MKO's recommendation "Deep Well" Smith has contracted for 2,000 square meters in the Free Zone for storage of drilling equipment.

COMMENT - OFFICIAL USE ONLY: The leasing of the Tripoli Free Zone areas by the two American firms is undoubtedly welcome in North Lebanon at this time when the IPC and the textile mills are trying to reduce the number of their workers. Although only a small number will be permanently employed by the two American companies, there are good prospects that other American and foreign firms may become interested in using Tripoli as a depot, particularly if the experience of these two firms proves satisfactory. (JHA)

ECONOMIC RELATIONS

11. Lebanon and the UN Trade Conference - UNCLASSIFIED

Lebanon, elected member of the Preparatory Committee for the UN Trade and Development Conference (TDC), is preparing for the first sitting of the Committee, probably late in January.

COMMENT - OFFICIAL USE ONLY: Lebanon's stance at the January meeting will be determined by its past record on the TDC proposals. This record shows a position different from ours, influenced no doubt by Lebanon's community of political and economic interests with other LDC's as well as by its growing trade gap and balance-of-payments deficit on current account. In the matter of the proposed TDC agenda, the Embassy considers it likely that Lebanon will be in agreement with our support items, with strong emphasis on broadening market opportunities, and that it will oppose us by advocating the creation of a new world trade organization. (LCT)

AGRICULTURE

12. Fruit Exports - UNCLASSIFIED

a. Apples

UAR. Lebanon and the UAR have agreed to ship a trial lot of 30 cases of Lebanese apples to the UAR destination where it will be fumigated.

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This will eliminate the customary and costly air pressure and metallic brush cleaning method used to eliminate red mites, which are adversely affecting the quality of the Lebanese apples.

Western European Countries. It has been learned from the trade that prices of Lebanese apples are competitive on the western European markets. However, shipments cannot be made prior to the granting of import licenses in the importing countries. The Lebanese Fruit Office is exerting efforts in these countries through the Lebanese diplomatic missions to expedite the granting of the licenses.

b. Citrus Fruits

Syria. Effective January 1, 1963, the Syrian authorities are exercising a closer control on Lebanese citrus fruit shipments infested with scale. According to the Fruit Office and the trade, this measure will, however, be of no hindrance to the exportation of Lebanese fruit this year as scale infestation is at a minimum. (DIM)

13. Rainfall for 1962/63 Season Above Normal - UNCLASSIFIED

This season's cumulative rainfall (September 1 to December 31, 1962) is above normal and totaled 259 mm at Ksara in the central Beka'a valley and 428 mm in Beirut. It was 264 mm at Ksara, and 317 mm in Beirut for the same period of the previous season. A long-time average is 208 mm for Ksara and 376 mm for Beirut for this period. (DIM)

TECHNICAL ASSISTANCE

14. Foreign Technicians Under Government or UN Contracts - UNCLASSIFIED

An article in the special New Year's Day edition of the Arabic newspaper an-Nahar mentions that there are at present 110 foreign technicians under GOL or UN contracts in Lebanon. Their nationalities and numbers are as follows: French - 49, English - 19, Swiss - 8, American - 4, Belgian - 3, Dutch - 4, Mexican - 2, Canadian - 3, German - 3, Egyptian - 2, Iranian - 2, Italian - 2, Cypriot - 2, Australian - 2, Swedish - 2, Chinese - 1, Greek - 1, and Yugoslav - 1. These experts are distributed among ten ministries and independent agencies of the Lebanese Government. About 40 of the experts are with the UN technical assistance program.

COMMENT - OFFICIAL USE ONLY: The mention of foreign technicians in Lebanon always arouses opposition by certain Lebanese who are jealous of them and who feel that they can do the job equally as well. According to the UNTAB representative, it has been his experience that it is with the greatest difficulty that the GOL has been able to find a qualified Lebanese to replace a departing UN technician. Furthermore, most qualified Lebanese prefer to work abroad rather than in Lebanon. (JHA)

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COMMERCIAL OFFICE

15. American Business Visitors - UNCLASSIFIED

The log of the Commercial Office shows that eleven Americans and representatives of American companies conferred with the Embassy between December 20, 1962 and January 3, 1963, among whom were Mr. C. C. Cooper of Ford International Group, Beirut; Mr. Michel Eid, local agent of Ford cars; Mr. Miles Copeland, Mr. James Eichelberger and Mr. John Lufkin of Interser, Inc., Beirut; and Mr. C. W. Bingham of J. A. Jones Company, Tehran, Iran. (JCW)

For the Ambassador:

Evan M. Wilson
Counselor of Embassy

Contributors:

LCTihany
JHAshida
HMAyoub
DLMacDonald
HDSnell
JCWeisert

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By PT NARA Date 7/23/04

ORIGIN/ACTION

NEA-5

RM/R	REP	AF
1	1	
ARA	EUR	FE
NEA	CU	INR 5
E 4	P	IO
L	FBO	AID 12
AGR 10	COM 10	FRB 3
INT	LAB	TAR
TR 23	XMB 4	AIR
ARMY	CIA 8	NAVY
OSD	USIA 8	NSA 3

DEPARTMENT OF STATE

AIRGRAM

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A-685
NO.

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HANDLING INDICATOR

1963 JAN 28 PM 2 05
RM/AN
ANALYSIS & DISTRIBUTION
BRANCH

TO : Department of State

FROM : AmEmbassy, Beirut

DATE: January 23, 1963.

SUBJECT : GENERAL ECONOMIC: Chader Extols Free Economy and Belittles Foreign Aid.

REF : CERP D-10 and A-654, January 17, 1963.

SUMMARY

In reply obviously to Minister of Interior Kamal Jumblatt's statement on Lebanon's mixed economy and tribute to US aid a few days earlier, Deputy Joseph Chader, Chairman of the Parliamentary Finance Committee, praised Lebanon's "free economy" as being responsible for its prosperity. He belittled foreign assistance as being inconsequential as compared to the magnitude of "national investments on construction projects and equipment."

* * * *

Referring obliquely to Minister of Interior Kamal JUMBLATT's statement on Lebanon's economy, which was reported in reference airgram, Deputy Joseph CHADER, Chairman of the Parliamentary Finance Committee, while acknowledging that an absolutely free economy has never existed in Lebanon, nevertheless extols "free economy" as being responsible for the country's prosperity. In contrast to Jumblatt's tribute to US aid, Chader belittles foreign aid as being inconsequential as compared to the magnitude of "national investments on construction projects and equipment." He cites three proofs of the virtues of the system of "free economy": (1) increase in state revenues from LL 105 million in 1951 to LL 313 million in 1961, (2) increase in mean per capita income from LL 600 in 1951 to LL 1,200 in 1962 and (3) the strength of the Lebanese pound. While admitting that the private sector has been depressed, he foresees its recovery through "government spending", encouragement of tourism, and the opening of

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1963 JAN 29 PM 2 41

FILE

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FORM DS-323

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Drafted by: ECON:JHAshida:nm 1/23/63

Contents and Classification Approved by: Evan M. Wilson, Chargé d'Affaires a.i.

Clearances:
ECON:LCTihany

0059

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By PT NARA Date 7/23/04

new African markets. Since this system has served to raise living standards, he maintains that the Lebanese will cling to this system and desire no other. The complete English text of Chader's statement as carried by the National News Agency on January 16 is enclosed.

Comment

The seeming contradiction between the two Lebanese politicians appears to be a problem in semantics, because Jumblatt's "mixed economy" and Chader's "free economy" are to all intents and purposes one and the same thing in Lebanon. They merely place emphases on different aspects of the Lebanese economy: Jumblatt on the Government's role and Chader on private enterprise. Chader's attitude on foreign aid is undoubtedly conditioned by his position as Deputy Leader of the Phalangist Party, with its pro-French orientation. He, therefore, fails to recognize adequately the fact that US assistance even in 1958 helped not only to preserve but also later to stimulate the "free economy", to whose accomplishments he refers with evident pride.

It is to be recalled that in 1958 Jumblatt and the Phalange were on opposite sides of the barricades and, while both factions are now represented in the Government, time has not altered their basic mutual antipathy.

Evan M. Wilson
Chargé d'Affaires a.i.

Enclosure:
As stated.

0060

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By PT NARA Date 7/23/04

Chairman of Finance Committee Explains Benefits of Free Economy

Commenting on what was lately published regarding the economic conditions in Lebanon, Mr. Joseph Chader, Chairman of the Parliamentary Finance Committee said: -

1) Absolute freedom, whether economic or otherwise, is non-existent in Lebanon. As a matter of fact, it never existed anywhere, not even in Tangier and Hong Kong.

2) When we say that we cling to the system of a free economy, we do not mean an economic system based on absolute freedom which can never be applied.

3) The system in which we believe leaves the initiative to individuals and organizations, i.e. we believe in private initiative with, of course, Government aid and guidance. This is a vast system and applies to commerce, industry, agriculture, the liberal professions and the fine arts. The State undertakes such basic works as roads, harbors, airports, railways, telegraphs and telephones, State schools, State hospitals, vast irrigation schemes, potable water supply schemes and electric facilities. The Lebanese Government has been applying this system by withdrawing concessions against the payment of equitable indemnities. This can by no means be called nationalization.

4) The system of free economy has given Lebanon the best results. It is to this system that we owe our present state of prosperity. The reason for this remarkable success is due partly to the soundness of the system and partly to the qualities of the Lebanese people, both residents and emigrants, who cling to the principle of freedom in all its forms. In other words, this system suits Lebanon geographically and historically.

5) The excellent results secured by Lebanon through the adoption of a free economy are obvious. Whatever foreign aid Lebanon has received is unimportant compared to national investments on construction projects and equipment.

The American aid of approximately LL 40 million was (given) because of the losses suffered by the country in 1958. As regard the Litani loan amounting to $ 22 million plus interest amounting to $ 5 million, this will be repaid by the Litani department out of its own revenue. Only a very small part of this loan has so far been expended.

At any rate, there are at least three indisputable proofs of the virtues of the system of free economy as applied to Lebanon since 1950: -

a) increase in State revenues (actually paid into the Treasury) from LL 105 million in 1951 to LL 313 million in 1961, and this, under the same system of taxation which, in general, is a benign one. Foreign aid does not enter into these figures.

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b) increase in the mean per capita income in Lebanon from LL 600 in 1951 to LL 1,200 in 1962.

c) the strength of the Lebanese currency, which compares favorably with that of the strongest foreign currency.

These three facts admitted by all economists (including socialist economists) prove that the system of free economy applied in Lebanon has led to the improvement of its conditions and to its swift transition from an underdeveloped country to a reasonably developed one.

6) The rise in the national income has led to the improvement of all classes of the people. As for the farmer, he was not much affected by the general opulence except in so far as he was able to profit from the rise in the price of land which, in some districts, was a steep one.

7) This improvement is still going on, and everything points to the probability of better crops this year. Government planning and Government action will soon begin to yield their fruits.

8) As for the private sector, this has lately suffered a small recession as a result of internal and external political events, and also the mistakes of some capitalists who wrecklessly expanded their businesses. However, this private sector is gathering its momentum again and is expected soon to recover its former vigor through Government spending, intensification of tourism and the conquest of new African markets.

9) In regard to national industry, it no doubt deserves encouragement provided it can sustain itself by the disposal of its products. Complete industrialization of the country will require hundreds of millions of pounds which we must absolutely raise by any possible means, instead of scaring away capital by releasing harmful rumors or irresponsible declarations.

10) In short, the system of free economy as known in Lebanon is the best possible system for this country as it perfectly suits Lebanon and the Lebanese and also because it has in a short space of time (12 years) raised the standard (of living) of the Lebanese people. This standard will, thanks to the wise policy pursued by the State, continue to rise.

For this reason we cling to this system as one clings to his own eyes and his own life. We want no other system.

.....

Source: Bulletin of the National News Agency, January 16, 1963.

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ORIGIN/ACTION		
NEA-5		
RM/R 1	REP 1	AF 5
ARA	EUR 5	FE
NEA	CU	INR 5
E 4	P	IO
L	FBO	AID 12
	U/IB 1	
AGR 10	COM 12	FRB 2
INT 7	LAB 6	TAR 2
TR 2	XMB 4	AIR
ARMY 15	CIA 15	NAVY 20
OSD 12	USIA 8	NSA 3
FAA 5	CAB 4	NSC 2

DEPARTMENT OF STATE

AIRGRAM

583a 00/1-2363

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A-670 NO. | CONFIDENTIAL | AIR POUCH HANDLING INDICATOR

TO : DEPARTMENT OF STATE

INFO : ADDIS ABABA, AMMAN, ANKARA, BAGHDAD, CAIRO, DAMASCUS, JIDDA, TEL AVIV, TRIPOLI, LONDON, PARIS, BRUSSELS FOR USEC, BONN

FROM : Amembassy BEIRUT

DATE: January 23, 1963

SUBJECT : Biweekly Economic Review No. 2 - Lebanon
Period ending January 17, 1963

REF : CERP Section C, Item 3; A-617, January 5, 1963

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1963 JAN 25 PM 1 18 NEA/RA ANALYSIS & DISTRIBUTION BRANCH

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FILED FEB 21 1963

CONFIDENTIAL

FORM DS-323 4-62 | FOR DEPT. USE ONLY ☒ In ☐ Out

Drafted by: ECON:JHAshida:blb 1/18/63

Contents and Classification Approved by: DCM: Mr. Wilson

Clearances: ECON:LCTihany

0063

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By PT NARA Date 7/23/04

ECONOMIC DEVELOPMENT
18. 1963 Litani Budget and Additional Financing
19. BCAIF/AID Loan Disbursements
COMMERCIAL
20. Soviet Trucks
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22. Coca Cola Regional Meeting
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1. HIGHLIGHTS - UNCLASSIFIED

The New Year began merrily for most Lebanese merchants. Sales over the past holiday season were reportedly the highest on record, surpassing 1961 sales by 7 - 20 percent. The main reasons for the brisk sales were the increase in public works expenditures and the return of confidence after the abortive PPS coup, the consolidation of the new Syrian Government and the settlement of the Cuban crisis. Events in Syria on January 13 indicate, however, that things are not yet stable.

During the past fortnight there were two strikes, one by the IPC workers and another by the BSL employees. Both of them ended quickly, although in the IPC case the dispute will be referred to a tripartite committee.

According to press reports, the Lebanese Ambassador returned to Cairo recently with new instructions to bring negotiations on a compensation agreement on Lebanese assets in Egypt to a successful conclusion. Lebanon was faced with an imminent sugar crisis, with its lone operating sugar refining company threatening to cease operations unless the Government raised the controlled price of sugar.

Deputy Emile Bustani urged the establishment of a new partnership based on oil between Western Europe and the Middle East. MEA has been awarded the first FAA repair station certificate in the Middle East. It appears now that part of the banking bill covering banking will not be enacted soon; only those parts on money and the central bank are likely to have quick Cabinet and parliamentary approval. (JHA)

LABOR

2. 3-Day IPC Strike Suspended (BER #1) - UNCLASSIFIED

The Iraq Petroleum Company (IPC) on January 4 served dismissal notices on the 160 employees for whom no other jobs had been found and who had refused the Company's offer of additional termination benefits. The IPC Employees Union promptly called out the rest of the workers the next day. By January 8, as a result of intervention by Prime Minister KARAME, the Company agreed to resume operations with its existing work force, pending the arrival of IPC Managing Director Geoffrey HERRIDGE from London. On January 11 Herridge arrived to begin conferences with top Government officials and worked out an agreement on the eve of Karame's departure for India providing for the appointment of a tripartite committee to find a solution by January 26. Until the committee reports, all jobs remain "frozen."

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COMMENT - OFFICIAL USE ONLY: It seems clear that Karame had given his approval for the dismissals early in October before the announcement of the IPC offer of supplemental termination benefits on October 31 (A-649, January 14, 1963). Unexpectedly virulent political opposition plus a firm stand by the trade union movement caused Karame to retreat from this position at a public meeting in Tripoli in mid-December.

Without Government approval IPC obviously cannot go through with the dismissals of its redundant employees. How the committee will resolve this issue is unclear at this time, particularly since only one member, Dr. Rida WAHID, Labor Ministry Director General, has been appointed. (HDS)

3. BSL Strike Ended (BER #1) - UNCLASSIFIED

A one-day walkout by the entire staff of the Banque de Syrie et du Liban ended with the Bank's acceptance of the Union's demand for assurances of employment for all personnel until age 60. The employees of BSL's Commercial Department had been on strike since December 21, but those at the Issue Department joined them for only one day. The Bank Employees Union, fearful that many of its BSL members' jobs would end when the Government's Central Bank is established, demanded and received written assurances that (a) no BSL employeee would be compelled to accept employment in the Central Bank, (b) all employees would be assured of jobs until age 60, and (c) that a bonus of LL 1,000,000 would be granted to BSL's staff - approximately four months pay - no later than March 31, 1963.

COMMENT - OFFICIAL USE ONLY: While the walkout of the Commercial Department's personnel merely hampered BSL operations in that sector, the stoppage by the Issue Department employees, if prolonged, would have played havoc with the country's economic life. These restrictive terms were dictated by Gabriel KHOURY, President of the Bank Employees Union, as well as the parent United Unions of Employees and Workers (UUEW) and indicate once more effective resistance to an employer's normal right to discharge unneeded employees. Khoury's voice will also be heard on the question of the IPC dismissals, for the IPC Employees Union is also a UUEW affiliate. (HDS)

4. Mobil Oil Workers Agreement Consummated (BER 26) - UNCLASSIFIED

Mobil Oil of Lebanon agreed to terms with its Workers Union by which the six-year old dispute over the payment of a 3 percent annual automatic increment was disposed of, at least until 1966. The Union accepted an immediate 5 percent across-the-board increase, the addition of three pay grades and the elimination of ceilings in each pay category during the life of the three-year contract.

COMMENT - OFFICIAL USE ONLY: This agreement satisfies Company policy by not extending the so-called automatic increment beyond its white-collar workers, and at the same time provides the manual workers with pay increases roughly equivalent to those enjoyed by the Mobil Oil Employees union. By so doing, the Company has bought three years of labor peace with the Mobil Oil Workers union. (HDS)

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5. FITU Workers Education Seminar Ends (BER #25) - UNCLASSIFIED

Certificates were awarded to 40 participants from the Federation of Independent Trade Unions' (FITU) Workers Education Seminar on January 16 by Minister of Labor John AZIZ. Organized by FITU President Nabil GHOSN, the Seminar covered a variety of trade union related subjects.

COMMENT - OFFICIAL USE ONLY: Ghosn has thus completed the first of the three workers education seminars, with the other two to be sponsored by the International Confederation of Free Trade Unions (ICFTU) and the Ministry of Labor and Social Affairs. The FITU drew on the best qualified local talent as lecturers, and while it probably attempted to cover too much ground, it has provided a sound basis for further work in this field. (HDS)

ECONOMIC RELATIONS

6. GOL's Common Market Policy Approved (A-663 and BER #26) - UNCLASSIFIED

The Parliamentary Foreign Affairs Committee on January 11 unanimously approved the Government's policy of seeking bilateral agreements with EEC member countries through the intermediary of the Community.

COMMENT - LIMITED OFFICIAL USE: The Embassy understands that Lebanon's primary objective is to seek advantageous entry for its fruit into the EEC. Should this goal be denied as a result of the EEC's common agricultural policy, Lebanon feels it would have no alternative except concluding clearing agreements with Soviet Bloc countries. The GOL's position is made difficult not only by the stonewall quality of EEC's common agricultural policy but also by Arab nationalist opposition to the EEC at home. (LCT)

7. Tecumseh's Boycott Troubles (A-665) - OFFICIAL USE ONLY

Two representatives of the blacklisted US firm Tecumseh (manufacturer of compressor units for major US-made refrigerators and air conditioners) were successful on January 6 in satisfying the requirements of the Damascus Central Boycott Office, but encountered intransigent resistance when they petitioned the Lebanese Boycott Bureau (LBB) for de-blacklisting on January 7.

COMMENT - CONFIDENTIAL: The Minister of National Economy, who has jurisdiction over the LBB, has promised that he would take the case over and handle it to the Embassy's satisfaction. The Tecumseh case is complicated by the facts that it affects the sale of major US refrigerating equipment in the Middle East, that it has come up for solution at the time of the Central Boycott Bureau Chief's dismissal from office, and that in Lebanon it is officially in the hands of HALLAQ, a fanatical boycott officer. Lessons to be learned by other blacklisted US firms are: (a) rely on the personal and oblique approach and (b) avoid repeat avoid Hallaq. (LCT)

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AGRICULTURE

8. Sugar Crisis Averted - UNCLASSIFIED

In view of the rising international price of sugar, the lone operating sugar refining company in Lebanon reportedly requested the Government on January 8 to increase the controlled retail price of sugar of LP 55 per kilogram by LP 10. The company stated its refining operations would come to a halt unless the price is increased. Sugar began disappearing from the shelves of dealers. Faced with a crisis, the Government decided on January 11 to reduce the excise taxes on imported sugar: refined sugar by LP 10 and raw sugar by LP 3.5. The company agreed to provide 2,500 tons of refined sugar monthly to the local market and posted a performance bond of LL 500,000 with the Government. Wholesale and retail sugar prices were left unchanged. The Government's decision is to remain in effect until May 1, 1963 by which time it expects to have completed a study on sugar in Lebanon.

COMMENT - OFFICIAL USE ONLY: The Government's decision underscores once again its strong determination to do everything possible to keep the cost of living from rising. Whether in this instance it can keep the domestic price of sugar from rising after May 1 remains to be seen, especially if international sugar prices keep on advancing. (DLM)

9. Flour Imports - OFFICIAL USE ONLY

The GOL is reportedly planning very soon to restrict imports of flour to 30,000 metric tons per year. Of this total, 6,000 metric tons will be alloted to high gluten US and Canadian flour, on each kilogram of which the duty would be lowered from LP 4 to LP 2. The import of lower-quality flour from other sources, primarily European, would be limited to 24,000 tons. The duty on flour from this source, which has been LP 6 per kilogram, would range between LP 4 and a maximum of LP 10. Importers would bid on the amount of duty they would be willing to pay in order to receive an import license.

COMMENT - OFFICIAL USE ONLY: The foregoing plan is designed to protect the local milling industry and at the same time permit flour importers to obtain some US and Canadian flour. Flour from the US and Canada during the first ten months of 1962 totaled 2,960 and 473 tons respectively. (DIM)

PETROLEUM

10. Bustani's Petroleum Plans - UNCLASSIFIED

In a public address delivered on January 11, Deputy and CAT President Emile BUSTANI stressed the community of interests based on oil between Western Europe and the Middle East. He recommended the establishment of an Arab Petroleum Institute, an enlargement and re-orientation of OPEC, unilateral action by the oil companies on the 5 percent Bustani Plan for an Arab development fund, the promotion by the oil companies of an organization parallel to OPEC, and the negotiation of West European - Middle Eastern agreements for the sale of oil against that of industrial products.

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COMMENT - LIMITED OFFICIAL USE: Some interest attaches to the fact that Bustani's analysis and recommendations were made in the context of the present initial contacts between oil-exporting Middle East states and the EEC. The Embassy is not sanguine about the implementation of these recommendations, nor does it expect oil to be used as a bargaining instrument by Arab states interested in EEC ties. (LCT)

FINANCE

11. Intra Bank Cleared - UNCLASSIFIED

An Intra Bank official has shown the Embassy the January 3 issue of Damascus's Sawt el-Arab and the January 2 issue of the Daily Economic Bulletin published by the Syrian Commercial Information Agency, in which the then General Secretary of the Central Boycott Office Dr. El-Aidi described as false rumors that the charges of trading with Israel against Intra Bank would be on the agenda of the impending 18th conference of boycott officers in Cairo. Dr. El-Aidi remarked that all accusations against Intra since 1954 have proved to be unfounded and that the results of his office's investigations had been circulated to all the boycott regional offices. The Central Boycott Office, he continued, considered the case closed.

COMMENT - LIMITED OFFICIAL USE: The Lebanese Boycott Bureau has not followed suit to date by issuring a similar statement. Since the Managing Director of Intra Bank, Yusef BEIDAS, has reportedly regained,since his return from Brazil and the US about two weeks ago, President CHEHAB's favor; it appears that the case against Intra Bank may be considered closed in Lebanon as well, at least for the time being. (JHA)

12. Funds for Proposed Development Bank (Embdesp 694, June 28, 1962, BER #26) - LIMITED OFFICIAL USE

When Paul KLAT, Lebanon's top economic advisor, went to see President CHEHAB for his weekly meeting on January 10, he wasappalled to learn thatmembers of the IRFED mission were proposing to the President that the GOL obtain funds for its proposed development bank by using interest-free reserves of banks deposited with the new central bank. IRFED had proposed that these reserves with the central bank be as high as 40 percent on bank deposits. Klat hit the ceiling but failed to convince the President and the IRFED mission about the folly of such an arrangement. He, however, was able to have IRFED agree to submit its proposal in writing.

COMMENT - LIMITED OFFICIAL USE: Since the law of June 12, 1962, reorganizing the Ministry of General Planning, has already established a national development bank on paper, the issuance of a decree would have been all that would be required to implement most of IRFED's proposal. Klat thinks that should the IRFED proposal be circulated among financial circles, it would die a quick death.

The IRFED mission has lost much of the respect it may have had originally among economic circles. Yet, because Father LEBRET has direct access to the President, impracticable ideas on development such as the foregoing are thrust before him, often without the benefit of adequate study and discussion, both by the Government and by the public. It was IRFED's shortcomings that led Klat to push for an IBRD expert. (JHA)

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13. Developments on Banking Bill (BER #1) - UNCLASSIFIED

The outcome of a series of discussions by members of the Lebanese Bankers Association on the proposed banking bill indicates that the bankers are firmly opposed to enactment of the draft law in its present form. The consensus appears to be that the present bill be divided into three bills: money, the central bank, and banking. The bills on money and the central bank, which would be reduced to a mere bank of issue, clearing house, and credit office, would be assigned high priority for passage during the present session of Parliament. The banking legislation would be considered by Parliament only after leisurely consideration by all interested parties concerned.

COMMENT - OFFICIAL USE ONLY: It appears that the banking bill in its present form will never become law. If the commercial banking business proceeds smoothly under the new central bank, it is entirely likely that no banking bill will ever be passed. If such a law in ever enacted, it is highly probable that it will be a much emasculated version of the currently proposed law. (JHA)

AVIATION

14. MEA Awarded First FAA Repair Station Certificate in Middle East - UNCLASSIFIED

MEA has been notified that it has been awarded the first Federal Aviation Agency repair station certificate granted in the Middle East. Ceremonial presentation of the award awaits the return to Beirut of MEA's Managing Director, temporarily in London.

COMMENT - OFFICIAL USE ONLY: Until about a year ago MEA was half-hearted about undertaking the large volume of paperwork and internal adjustment necessary to qualify for an FAA certificate. However, when it discovered last year the profits of its maintenance division from work performed on the aircraft of other owners in the Middle East (mostly American piston-driven types) had put MEA's balance sheet into the black, the vigor of its interest increased significantly. The award will greatly enhance the usefulness of MEA's services to owners of American-registered aircraft operating in the area and marks an achievement which the Embassy at Beirut has been quietly encouraging for nearly a decade. (JHE)

15. LIA, TAA and Syrian Airways Discussing Joint Purchase of Boeing 720's - LIMITED OFFICIAL USE

The Embassy has learned in confidence that Lebanese International Airlines (LIA) is discussing with Syrian Airways and with Trans-Arabian Airways (TAA of Kuwait) ways of financing the purchase of three Boeing 720's which are being turned back to Boeing by Aer Lingus (Irish). These aircraft are reportedly available at very reasonable prices. The proposal envisages joint use and maintenance of them by all three airlines.

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COMMENT - LIMITED OFFICIAL USE: Inasmuch as there have been many fruitless projects initiated by LIA to purchase aircraft, the present one should be viewed sceptically. However, the fact that Carlos and Alphonse ARIDA, who own LIA, have just come into their inheritance, through the death of their textile-magnate father, has encouraged Boeing to treat their proposal more seriously than it would otherwise. (JHE)

TECHNICAL ASSISTANCE

16. Lebanese-West German Technical Cooperation Treaty Still Awaits Ratification (BER #20, 1961) - UNCLASSIFIED (See also A-324, May 16, 1962)

A communique of the National News Agency (NNA) states that the text of the Technical Cooperation Agreement between Lebanon and the Federal Republic of Germany, concluded in Beirut on October 20, 1961, has been sent to the Parliamentary Foreign Affairs Committee "for perusal, preliminary to debate."

COMMENT - CONFIDENTIAL: The Lebanon-FRG technical cooperation agreement was the subject of a protest by the Soviet Embassy to the GOL in late 1961, due to its inclusion of Berlin. The Embassy at that time discreetly intervened at the Foreign Ministry and supported the Embassy of the FRG with documentary evidence that West Germany had concluded similar agreements containing the Berlin clause with other states, including Rumania. If the ratification procedure does not lead to renewed difficulties with the USSR on the local scene, it will be an indication of the changed international climate. (LCT)

INDUSTRY

17. American Chicle Company Receives License for Plant (BER #22) - UNCLASSIFIED

The Council of Ministers at its meeting on December 12 approved the granting of a license to American Chicle Company for the establishment of a branch plant in Lebanon. According to the Lebanese legal counsel, the firm has selected a plant site at Moukallas in the eastern suburbs of Beirut near the Beirut River.

COMMENT - LIMITED OFFICIAL USE: There was considerable opposition to granting of the license, directed by the distributor of Chicle's products in Lebanon. He felt strongly that if Chicle did not give him equity participation in the plant, he would use all available means to oppose the project. He was undoubtedly instrumental in having an ad hoc committee recommend rejection of Chicle's application. The legal counsel and the Embassy were, however, able to gain the support of the Ministry of National Economy in the project. Even then the opposition was able to delay for three weeks delivery of the formal notice of the Cabinet's decision to the Ministry of National Economy.

Except for the Mediterranean Refining Company, this plant will, it is believed, represent the only wholly American-owned industrial facility in Lebanon, except for small handicraft installations. This plant should keep the ubiquitous "Chiclet" boys well supplied with gum throughout the Middle East. (JHA)

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ECONOMIC DEVELOPMENT

18. 1963 Litani Budget and Additional Financing (BER #17) - UNCLASSIFIED

According to an official release the Board of the National Litani Office (NLO) has approved the 1963 Litani budget and referred it to the competent authorities. The budget amounts to LL 64.5 million ($21.5 million) allocated as follows:

(1)	expenses of work on hand	LL	49,140,000
(2)	work on new projects		5,410,000
(3)	payment of financial charges		5,800,000
(4)	investment charges		330,000
(5)	general expenditure		3,820,000
	TOTAL	LL	64,500,000

Past expenditures on the project from 1954 to the end of 1962 totaled LL 116,460,000 ($38,820,000).

On January 16 the Council of Ministers approved an urgent bill providing LL 85 million ($28.3 million) for the National Litani Office. This sum will reportedly permit the NLO to complete the Karoun dam to a height of 60 meters, the Awali tunnel and powerhouse, the Markabi diversion dam and engineering designs of various irrigation works and the Khardale dam. The NLO's Director General anticipates that the foregoing would be finished in 1965. (JHA)

19. BCAIF/AID Loan Disbursement (BER #23) - UNCLASSIFIED

Banque de Credit Agricole, Industriel et Foncier (BCAIF) disbursed $16,740 during the month of December 1962. BCAIF's total cumulative disbursements as of December 31, 1962 now amount to $2,657,902.67. SIDEM's account remains unchanged from the reported previous total. (JCW)

COMMERCIAL

20. Soviet Trucks - OFFICIAL USE ONLY

The Russians underbid the Ford Motor Car Company by 2 percent on an order for seventeen trucks for the Beirut Municipality. This order totals roughly 85,000 dollars. The Embassy is making strong representation with GOL officials in favor of Ford, whose known quality and performance would normally make it a recipient of the award. Unhappily a technicality in the tender calls for the low bidder regardless of performance and quality. Developments will be reported. (JCW)

21. Sales Clinic for Earthmoving Machinery - UNCLASSIFIED

A Sales Clinic on earthmoving machinery was held under the auspices of the Commercial Office in the Embassy on January 16. It was attended by nineteen representatives of the Beirut business community representing companies such as Caterpillar, International Harvester, Michigan, and Case. Honored guests were Messrs. Joel Lewis and Masato Harada of the US Bureau of Roads; Mr. Joseph Tabet from the Ministry of Public Work of the Government of Lebanon and Mr. Nabih Nahas from the Ministry of Agriculture. Ambassador Meyer opened the meeting which lasted

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two and a half hours and developed into a very profitable discussion of the market for US road machinery and trucks in Lebanon. A detailed airgram follows. (JCW)

22. Coca Cola Regional Meeting - UNCLASSIFIED

The Coca Cola Beirut Company held a regional Middle East meeting in the Phoenicia Hotel from the 13th till the 16th of January. This was the first meeting under a new system which sets up Beirut as a new independent regional headquarters and divorces it from Rome which formerly was Coca Cola's Middle East control point. (JCW)

23. American Business Visitors - UNCLASSIFIED

The log of the Commercial office shows that thirty-four Americans and representatives of American companies conferred with the Embassy between January 4 and 17, among whom were Mr. L. Malcolm Slaght, Assistant Director for Private Enterprise, NESA/CDF, AID, Washington; Mr. Francis X. Cahill, Regional Manager, American Chicle Company, New York; Mr. Alan T. Sterling, International General Electric Company, New York; Mr. Roy M. Dickinson, Manager, Union Carbide Project Planning and Analysis Group, Geneva; Mr. L. L. Hurst, Regional Manager, Le Tourneau-Westinghouse Company, Peoria, Illinois; Mr. Richard N. Copty, Middle East and North Africa Representative, J.I. Case Company; and Mr. John K. Miller, Vice President, International Operations, American Standard, New York. (JCW)

For the Ambassador:

Evan M. Wilson

Evan M. Wilson
Counselor of Embassy

Contributors:
LCTihany;JHAshida;JHEnnis;DLMacDonald;HDSnell;JCWeisert

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